

PROMOTING AN AFFORDABLE HOUSING MARKET

An Institutional Analysis



**This dissertation is submitted to the Board of Graduate Studies,
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To Ashok, without whom Cambridge wouldn't even be a dream!

Declaration

This dissertation is the result of my own work and includes nothing which is the outcome of work done in collaboration except as declared in the Preface and specified in the text.

It is not substantially the same as any that I have submitted, or, is being concurrently submitted for a degree or diploma or other qualification at the University of Cambridge or any other University or similar institution except as declared in the Preface and specified in the text. I further state that no substantial part of my dissertation has already been submitted, or, is being concurrently submitted for any such degree, diploma or other qualification at the University of Cambridge or any other University of similar institution except as declared in the Preface and specified in the text

It does not exceed the prescribed word limit for the relevant Degree Committee.

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Abstract

Insufficient provision of housing for a fast growing urban population is leading to squatter settlements and slums. Some view this informal sector as a way of fulfilling the shelter needs of the urban population. The informal housing market, however, is not an acceptable solution, as the urban poor are paying a cost without security of tenure or any insurance for their investment, not to mention the unhygienic living conditions.

In India efforts to stimulate a formal affordable housing market by privatising and deregulating housing markets and promoting private sector funding for housing and infrastructure as an alternative to provision by the government has not resulted in a market for affordable housing. Scholars have argued that the approach was not successful, because it is not economically feasible, largely due to the institutional constraints of land and credit.

This thesis reports on a case study of housing provision and the potential for a market in affordable housing in Raipur, India, an urban centre with a million-plus population. This included surveys of households living in slum areas, builders and developers and of facilitators in the public and private sectors. While this study finds support for the explanation that institutions do constrain the market, it also finds that the intended markets did not arise because the policy was overlaid on an existing institutional structure of housing provision (SHP). The practice of clientelism acts as a meta-constraint and therefore this study argues that just removing the institutional constraints will not automatically lead to the creation of a housing market for urban poor. Some initial recommendations are made regarding the pre-requisites for such markets, and how they could be designed by restructuring the SHP.

In doing so, the study puts forth a theoretical and methodological framework that can be used for institutional studies of affordable housing, as well as for other sectors.

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1. INTRODUCTION: OBJECTIVES, BACKGROUND AND METHODOLOGY

1.1 INTRODUCTION

Adequate housing is a universally declared human right. The right to housing is not one of the fundamental rights listed in the Indian constitution. Nevertheless, the country as part of the International Covenant on Economic, Social and Cultural Rights (ICESCR - article 11.1)¹ recognizes the right of everyone to an adequate standard of living, including adequate food, clothing and housing.

The commitment to ICESCR is apparent; the Government of India (GoI) has been the largest official provider of Affordable Housing (defined in Appendix 1.1) in India, yet there is a chronic and ever-growing shortfall.

The National Building Organization (NBO, GoI) estimated the housing shortage in urban areas at the beginning of 2007 to be about 24.71 million units, possibly reaching 26.53 million by 2012. The estimate of the Technical Group (2012) on Urban Housing Shortage for 2012-17 constituted by NBO, Ministry of Housing & Urban Poverty Alleviation (MoHUPA) is 18.78 million. While these two estimates vary, they both point out the enormity of the issue.

Nearly 97% of the urban housing requirement in India relates to the Lower Income Groups (LIG) and the Economically Weaker Sections (EWS) households (TG-12-GoI, 2012; NHB, 2006), called here 'the urban poor'. GoI estimated the financial requirement for the housing sector for the Eleventh Five Year Plan period (2007-2012) to be USD 133 billion. The planned outlay for the same period (2007-12) in housing is only USD 5.3 billion.

Two points emerge from this:

- i) The stock-deficit in housing relates almost entirely to EWS/LIG segments called here 'affordable housing', abbreviated to AH;
- ii) The government does not have the finance to solve the housing problems of the urban poor; the solution must be sought elsewhere.

¹ Adopted by General Assembly [resolution 2200 \(XXI\)](#) of 16 December 1966 (A/RES/21/2200)

The GoI has sought private sector funding in housing and infrastructure through various means (privatising, promoting PPPs, user fees, municipal bonds) as an alternative to provision by the government itself (see chapter 2). Nevertheless, these have not resulted in an AH market in Chhattisgarh (see section 1.4) because it is argued (see chapter 2 and 4) to be economically unviable, largely due to the institutional constraints of land and credit. While this study finds that these institutions do constrain the market, it also finds that the intended markets did not arise because the policy was overlaid on an existing institutional structure of housing provision. This study further argues that just removing the institutional constraints will not automatically lead to the creation of an AH market. Such markets need to be deliberately designed and structured with detailed rules that guide market operation.

Through the case study of Raipur, Chhattisgarh, empirical evidence was gathered and analysed to understand what constrains such a market. The study concludes that an AH market in Raipur is a promising approach, if the necessary rules and conditions can be created.

1.2 PROMOTING A FORMAL MARKET IN HOUSING: AN INSTITUTIONAL ANALYSIS

There have been many studies² on the affordability of housing for the urban poor. Feedback Ventures (2006) reports, “given that there is no agreement on the number of slums and therefore the total slum population, it is difficult to analyse the existing situation comprehensively”. These studies have used their own definitions and criteria, but have some common conclusions. Extensive literature on housing affordability among the urban poor, on slum and squatter settlements, on land and credit markets, on formal and informal economy reveals a qualified story. The conclusion is that the ‘urban poor’ is a broad category with varying capacities to afford housing³. Slum dwellers are not “a single homogeneous group”; a considerable number have a regular source of income and seek permanent shelter with basic amenities that they are able and willing to pay for (Muttagi, 1998).

If some of the urban poor can pay for decent housing⁴, then, in principle this demand could be met by private builders in formal markets. Such a market could help to solve a daunting problem. Why then do commercial builders not build according to market demand? The standard answer is that it is not sufficiently profitable. This, however, ignores the institutional structure of markets and how that can affect outcomes. An alternate answer could be: *Were the institutions different, the market outcomes might also be different* and

² See Ghosh and Sanyal, Muttagi, P.K., Singh, U.B., Sachithanandan, A.N., Thangavel, C., Bhattacharya, K.P., for a collection of essays on Rent Affordability in ‘Affordable Housing and Infrastructure in India’ (1998); Also see Mascarenhas (2010); Singh S. (2011); Feedback Ventures (2006); Mahadevia, Joshi, & Sharma (2009) and Mukherji & Bharucha (2011) for more recent data.

³ Even within the same income limits, affordability needs to be measured on a sliding scale as it changes with factors like family size, family indebtedness, and/or expenditure patterns. While a family with two children and ‘x’ income might be able to set aside 15% of their income for housing, with the same income, the family with four children might be unable to do so.

⁴ Provided that what they pay covers the costs of provision.

therefore that it could be profitable for builders to supply housing for a section of the EWS/LIG population within current costs and incomes. This formed the first hypothesis for the study: *that existing institutional arrangements act to prevent the emergence of an AH market in Raipur*; implying that alternative institutional arrangements have the potential to facilitate such a market.

This study adopts an Institutional Economics (IE) perspective: *that in order to explain economic behaviour, the institutional setting of that behaviour has to be taken into account*. Institutions affect the structure of markets, the behaviour of market actors, and (therefore) market outcomes. Within the purview of IE, the study draws upon Michael Ball's (1983) 'Structure of Housing Provision (SHP)' framework for analysing the effect of institutions on housing markets. This posits that there is a coherent structure of institutions regulating housing provision which have arisen in a particular situation (in this case, in Chhattisgarh) and which have adapted to each other. The study, therefore, puts forward an additional hypothesis: *the institutions and actors involved in the process of housing provision in Raipur interact with each other, with the implication that changing one institutional factor would lead to other institutional changes, with uncertain consequences*.

There are very many agents involved in the supply of (new) housing, and their activities have to be coordinated. This is both in their own, and the public interest. The rules, practices, and expectations coordinating these activities are called institutions. These institutions can have significant effects on what is built, where, its price and quality, for whom it is built, the structure of the industry, the morphology of housing estates, and so on (Needham, 2012).

An SHP is a combination of social agents associated with creating and sustaining a particular set of housing conditions, costs and benefits. Therefore, it refers to the physical process of housing provision together with the social relations of agents involved in it (Ball & Harloe, 1992).

Housing provision requires interrelations between private land-owners, commercial house builders, building workers, financial organizations, and specialists involved in house buying and selling, the final owner occupiers, and the state. Each group is involved at one or more points in the process of housing provision; the nature of its involvement and the responses by others are the key determinants of housing provision and its problems (Ball, 1983).

An analysis using the SHP entails elaboration of the role of each actor and the institutions that connect them to each other. This helps identify the "power struggles that go on over its nature via economic and political processes" (Ball, 1983). Such an analysis can therefore extend our understanding of the barriers that might constrain the AH market in Chhattisgarh.

1.3 THE CENTRAL QUESTION AND OBJECTIVES OF THE STUDY

The central question in this thesis is: ‘What constrains a formal AH market?’; this is investigated as follows:

1. Understand the context and processes prevalent in the AH sector [Chapters 2 & 4];
2. Identify institutional barriers that constrain the demand for and supply of AH [Chapters 5 & 6];
3. Discover the facilitators’⁵ perspectives of the constraints [Chapter 7];
4. Analyse the factors that are constraining the AH market from emerging [Chapter 8];
5. Offer initial recommendations as to how institutions might be altered so AH availability can be improved [Chapter 9].

Chapter 1 explains the context, significance and the methodology and Chapter 3 discusses the theoretical basis for this study.

If there is a convincing argument that a private AH market is feasible, and that institutions are constraining such a market, then institutional change is desirable. Institutional change is a multidimensional, multilevel phenomenon, that empirical studies cannot capture in all its complexity. Studies must therefore simplify in various ways (Alston, Eggertsson, & North, 1996). In this study, simplification is achieved by limiting the scope:

1. The study is limited to one city, Raipur and to the EWS/LIG housing sector.
2. The focus is on the demand and supply constraints (but includes the facilitators’ perspective).
3. The scope is limited to new construction of AH for owner occupation⁶.

In view of this, the study is exploratory and can do no more than map the contours of how the institutions are affecting the AH market.

1.4 THE SELECTION OF THE CASE

Raipur, the capital of Chhattisgarh presents an interesting case for this study as it is the only state in India to have completely privatised the housing sector. When this failed to create the desired market, public provision of AH was reinstated.

Chhattisgarh was carved out of the state of Madhya Pradesh in central India, in November 2000. It is the 10th largest state by area. Chhattisgarh began with great promise, blessed with natural resources: iron ore, coal, bauxite, limestone; nearly 40% forest cover; several rivers that helped win for the State the epithet of the “Rice bowl of India”; and surplus electric power. Raipur became the state’s capital, and soon a bustling business centre. Chhattisgarh witnessed considerable foreign direct investment⁷.

⁵ Such as government officials, banking and credit institutions, policy makers/ministers.

⁶ There is no social renting in India and the tendency is towards owner occupation (census data) hence the focus on owner occupied housing.

⁷ While the exact figures could not be ascertained, the GoCG website mentions “receiving large Foreign Direct Investment in sectors such as power and steel”.

Geographical Scope

Chhattisgarh

Formed in November 2000, 10th largest state of India by area (135,191 km² or 52,199 sq mi), population 2001: 20.08 million, 2011: 25.54 million (provisional)

Urban Centre – Raipur

Centre of the fieldwork - area 226 km² or 87 sq mi, population –Raipur (Municipal Corporation) approx. 1,000,000 (1 Million) according to census 2011.



FIGURE 1.1: STATE MAP OF CHHATTISGARH

The State privatised the housing sector and disbanded the state Housing Board in 2002 in order to stop what was seen as market distortion and to allow private builders to service the demand (see chapter 2). However, the private builders who invested in housing catered for higher incomes (HIG/MIG), ignoring the greater numbers on lower incomes (EWS/LIG). The result was a surplus of higher priced housing while AH was in acute short supply.

A report (2007) published by Chhattisgarh Housing Board (CGHB) acknowledges this:

“Private sector builders receive full encouragement from the Government. However, it was observed that the private sector, driven by concerns for return on investment, focuses on the top-end of the housing market. They have little or no interest in the low end.”

In 2004, the Government of CG (GoCG) realizing the gravity of the problem regarding AH, re-created the CGHB to focus on the housing needs of EWS/LIG. CGHB (2007) claims to have created more AH stock in three years than was created in the region in the preceding thirty

years. Since 2008, CGHB has won several national awards⁸ for its performance. However, the housing stock remains grossly inadequate.

In Chhattisgarh, housing shortage in urban areas is higher than in rural areas, unlike the situation in India as a whole (Table 1.1). A technical GoI committee report (2012) estimates the housing shortage in Chhattisgarh (in 2007) to be around 0.36 million in the urban areas alone. According to the 2011 census, the slum population of Chhattisgarh is 1,900,000, and in Raipur around 0.37 million⁹. With almost 39% of its urban population living in slums, Raipur is listed among the top ten cities in India having million plus population with high proportion of slum households (Census, 2011).

Table 1.1: Housing Shortage in India and Chhattisgarh

HOUSING SHORTAGE (IN MILLIONS)				
CENSUS 2001				IN 2007
	Rural	Urban	Total	Urban
Chhattisgarh	0.02	0.08	0.10	0.36
India	14.12	10.56	24.68	24.71
Source: (National Housing Bank, 2006)				Source: (MoHUPA, NBO, GoI, 2012)

Although the CGHB was reinstated, the state is aware that it does not have the resources to continue to subsidise housing in this way. Hence, in 2004 GoCG came up with a state housing policy, on the lines of the national housing policy, seeking private sector participation. However, this has not increased private sector participation in AH (CGHB, 2007).

Raipur is also one of the 65 pilot cities in India implementing the GoI's Jawaharlal Nehru National Urban Renewal Mission (JNNURM) programme, a massive city-modernisation scheme launched in 2005 with a total investment of over \$20 billion over seven years. The urban housing component of JNNURM is a project called Affordable Housing in Partnership (AHP). Private builders were not interested in this scheme and even the response from the public housing authorities was unenthusiastic, with only two states opting to implement it. Chhattisgarh was one of these, with 3740 dwelling units being sanctioned under the scheme in Raipur and built by CGHB. The state continues to work on the reforms agenda prescribed under JNNURM.

⁸ Assocham Excellence Award 2014 for its Special Contribution to Low Cost housing, HUDCO award for its remarkable work in fields of environmental management and energy efficiency through green building concept, EPC World Award 2012 for Affordable Housing, HUDCO Award for Best Practices to improve the Living Environment 2011-12

⁹ Approximately 376,500 (80 thousand households with an average family size of 4.7). Slum population of Raipur refers to the Raipur Municipal Corporation (RMC) area.

Raipur, therefore offers an opportunity to identify and understand the institutional constraints in a state which claims to have a private-sector-friendly Housing Policy (See Chapter 2 for Chhattisgarh Housing Policy).

1.5 RESEARCH METHODOLOGY FOR THE CASE STUDY¹⁰

Answering the research question, *what are the institutional constraints to improving the availability of housing for EWS/LIG in Raipur?*, requires an in-depth understanding of all the local institutions that have a bearing on the demand for and supply of AH. Hence, it is appropriate to conduct the study using a qualitative research design.

The study identifies the demand and supply constraints as perceived by the slum dweller and the builders, focussing also on the reasons why and how those factors are constraining. After an initial analysis of the demand and supply constraints, the facilitators' perspectives are sought.

The chosen methodological paradigm is *Interpretivism*; which is to study the world always from the perspective of the interacting individual, including participants in the process of research because "it is their meaning, their constructed reality that we are trying to understand" (Denzin & Lincoln, 2000).

Interpretivists believe that in order "to understand this world of meaning one must interpret it" (Schwandt, 1994). An 'objective' understanding is unattainable and it is necessary to reach for an interpretation which can be seen as a fusion of two perspectives: that of the phenomenon being studied, and that of the interpreter, located in his or her own life, in a larger culture, and in a historical point in time (Reason & Rowan, 1981). Therefore, rather than assume that the subject is reporting 'the truth', one has to settle for a partially authentic account of his/her experience¹¹. The researcher's prior understanding and the theoretical and methodological frameworks can then be used as a tool that opens up a dialogue with the empirical material (Alvesson & Kärreman, 2007).

In this study, interviewees were briefed about the research purpose, context and objectives before the interview because "if the subjects are not privy to the research thinking, they will not be functioning fully as intelligent agents" (Pearce, 2008). Effort was taken to make sure that in each part of the fieldwork the most experienced person participated in the interview/survey. In the slum survey the head of the household was interviewed in each case. In builders' interviews where most businesses are family owned, if the son or the younger sibling had taken over the business recently, the father and the older sibling were requested to be present during the interviews.

¹⁰ For more on why a case study method is used and its limitations refer appendix 1.3

¹¹ Or as Alvesson & Kärreman (2007) insist, we can see the subject as a politically motivated producer of what are, for him or her, favourable "truths", or as a person repeating institutionalized standard talk about a specific theme.

1.5.1 THE FIELDWORK

The fieldwork was carried out in three phases. Firstly the slum survey covered 211 households from 21 slums spread across the Raipur Municipal Corporation area¹². This survey was conducted to assess the housing affordability for the slum dwellers and to investigate other barriers that constrain their realistic willingness to buy from being converted to demand (see Chapter 5).

The second phase consisted of semi-structured interviews with 30 private builders in Raipur. The objectives were to examine the institutional barriers that constrain the supply of AH by the private sector, investigate how binding these constraints are, and to verify whether they see a possibility of low-income housing market in the future if their issues were to be addressed (see Chapter 6).

The third phase interviewed 22 facilitators, including ministers, high level government officials, bankers and heads of the various government and non-government organizations currently associated with provision of AH. These interviews provide the facilitators' perspective on the issue of AH; more specifically on the demand and supply constraints (see Chapter 7).

1.5.2 SAMPLING

Sampling decisions balance the aims of covering as wide a field as possible against analyses which are as deep as possible (Flick, 2009). A random sample provides the best opportunity to generalize the results to the population, but is not the most effective way of developing an understanding of complex issues relating to human behaviour (Marshall, 1996). Therefore, a mix of random and purposive sampling was used in this research. The slum survey and the builders' interviews were based on a random sample. However, the facilitators' interviews were sampled purposively (details of sampling are in the respective chapters – 5, 6 & 7).

All interviews combined open-ended and survey approaches in order to collect details about the setting in which the interviewees/respondents operate, and to penetrate beyond superficial responses. The questionnaire and survey forms were drawn up before the fieldwork and were reviewed by the thesis supervisors. They were again revised slightly after the initial interviews to add clarifying questions, and some options in the survey answers.

¹² There are approximately 282 slum pockets in Raipur with a total population of about 500,000 or 65,000 hh [Refer appendix 5.1 for slum population of Raipur].

1.6 RESEARCH OUTPUT

The output is on three levels:

Theoretical – The study develops a theoretical and methodological framework to examine the effect of institutions, and identify institutional constraints, on markets.

Empirical – Empirical analysis, especially on housing markets institutions in developing countries, is scarce. This study attempts to fill that gap and thus contribute to this body of knowledge.

Policy Related – The final output identifies the constraints relating to the availability of AH in Raipur and the policies that might address them.

1.7 SIGNIFICANCE OF THE STUDY

This study is relevant for institutional analysis of emerging markets, but especially for housing studies in developing countries. Existing studies of AH in India are largely based on a single perspective – that of the slum dwellers (reports by national and international NGOs working in the slums¹³), the industry reports presenting the Builders' perspective¹⁴, or the government sponsored/government task force reports¹⁵ which take the government's perspective. No studies were found that took a balanced view of all the three perspectives. This study aims to fill that void, with data based on nine months fieldwork (Jan-Sept 2012), with approximately three months researching each of the groups.

Meeting the challenge of unprecedented urbanization is not limited to India. The UN-Habitat on its website expresses the challenge in these words:

"The United Nations Millennium Declaration recognises the dire circumstances of the world's urban poor. It articulates the commitment of Member States to improve the lives of at least 100 million slum dwellers by the year 2020... As large as 100 million may seem, however, it is only 10 per cent of the present worldwide slum population, which, if left unchecked, will multiply threefold to 3 billion by the year 2050."

New knowledge about AH has global significance. It is two decades since the enabling strategy in housing was introduced by the World Bank (1993), and there is more than a decade of practice (in Raipur), providing an opportunity for evaluating the neo-liberal ideology in practice. The policy of seeking private sector participation in AH has been

¹³ Notably - National Slum Dwellers Federation (NSDF), Society for the Promotion of Area Resource Centres (SPARC) and United Nations and UN Habitat reports including Challenge of Slums. Other Academic literature includes Baken (2003); GTZ ASEM (2010); PRIA-WEBNET; Davis (2007); Bhattacharya K. P. (1998); Berner (2000); Chauhan, Shah, & Yadav (2010); Payne G. (2004); Smets (2002); Singh U. (1998); Muttagi (1998); Marx (2006); Mascarenhas (2010); Matsukawa (2010); Mitlin & Satterthwaite (2004).

¹⁴ Agarwal, Jain, & Karamchandani (2013); CREDAI NCR; Cushman & Wakefield (2014); Deb, Karamchandani, & Singh (2010); Jones Lang LaSalle (NA); McKinsey Global Institute (2010)

¹⁵ RICS and MoHUPA, GoI (2010); JNNURM, MoHUPA (2009); JNNURM, SUDA, (2006); MoHUPA (2009); MoHUPA, GoI (2012); Technical Committee chaired by Dr. Pronab Sen (2010); Working group on Construction Sector, GoI (2011)

questioned and challenged¹⁶, and the study of appropriate institutions is gaining momentum, but there are still no clear solutions.

1.8 STRUCTURE OF THIS THESIS

Chapter 1 discusses the context and motivation for this thesis, objectives and methodology, selection of Chhattisgarh for the case study, summary of the contribution to knowledge and overview of thesis contents.

Chapter 2 presents an outline of some common practices in AH, review of the market enabling strategy, internationally, and its effect on housing policy and practice in India. Further, using Housing Affordability studies, it suggests that many urban poor households could afford a decent dwelling if it were available. In that case, housing for some of the relevant households could in principle be provided by private builders.

Chapter 3 gives the theoretical background, adopting an Institutional Economics perspective, and 'Structure of Housing Provision (SHP)' framework for analysing the effect of institutions on housing markets.

Chapter 4 argues that the market is not emerging because of institutional constraints on both the supply of and demand for low income housing.

Chapters 5, 6 and 7 present the findings from the three phases of fieldwork.

Chapter 8 analyses constraints on the AH market in Raipur. It discusses how the various demand and supply constraints are inter-related and how they affect and reinforce each other. The findings here are compared with the findings from the other research. The chapter further argues that the interactions amongst institutions and actors result in a structure of institutions that is regulating the current housing provision. Finally, the implications for housing policy are discussed. An explanation for the 'institutional inertia' in the current situation is offered in terms of the culture of 'clientelism'.

Chapter 9 draws conclusions, in the light of the central research question, and offers recommendations for restructuring the SHP. The final section reflects on the theoretical framework and the methods that have been used in the study. It also considers possible avenues for future research.

¹⁶ Baken (2003); Baindur & Kamath (2009); Berner (2000); Down to Earth (2008); Jamwal (2006)

2. FORMAL AH MARKET

2.1 AH STRATEGIES

The issue of affordability in housing has attracted researchers and practitioners from various fields to explore the determinants of sustainable AH environments. The topics covered include, but are not limited to, financing mechanisms; construction, design and building techniques; planning concerns; economy; cultural and social issues such as cohesion, community and citizen participation; environment and health; compact human settlements, and liveable cities. As argued by Salama & Alshuwaikhat (2006) the concept is complex, and even a trans-disciplinary perspective is problematic in identifying “best practices”. Many of the claimed “best practices” in AH are compiled by developers or organizations that are showcasing their own projects or celebrating their own successes. However, outlining some of those experiences is a necessary step in the search for strategies appropriate to the situation in India.

The first categorization in the provision of AH is between formal and informal approaches. Failure to meet the housing and other infrastructure requirements for a fast growing urban population is leading to squatter settlements and slums. Some¹⁷ view this informal sector as a way of fulfilling the shelter needs of that population. Informal housing markets, according to Boudreaux (2008), are a market response to the institutional constraints in the low income housing sector. Sandhu (2004) applauds informal markets for their “ability to deliver according to the economic capacities of the poor” better than the formal sector. The informal market has its advantages and disadvantages (summarised in appendix 2.2 on CD), but, as Berner (2000) remarks, rightful criticism of the formal system should not lead to a romanticizing view of the informal institutions. Informal housing solutions do not offer adequate security or any insurance against the innumerable and constant risks that the people are living in. Marcuse (1992) adds that they can provide only marginally, inefficiently and exploitatively, as disorganized habitation leads to inefficient use of land and cannot deal with the host of problems that require centralized decision-making; they violate sound and necessary planning principles. Therefore, they are likely to produce only temporary solutions to immediate housing problems. They also limit capital accumulation and growth (De Soto, 2000). This study therefore argues that it is desirable to stimulate a formal housing market for the urban poor¹⁸.

The second categorization is of the formal approaches to AH provision. For the purposes of this literature review (section 1.3), the term has been very broadly defined. AH, around the world, is commonly understood as shelter provided to specified eligible households whose needs are not met by the market. It is provided by the government either on its own, or through NGOs and other funding agencies. It includes various kinds of housing provision

¹⁷ (Marx, 2006; Sandhu, 2004; Berner, 2001; Boudreaux, 2008)

¹⁸ This is one of the reasons why this research is focusing on formal markets to provide AH, however, the study does appreciate that informal approaches appear have some advantages in practice as illustrated by (Mukhija, 2004).

each with its own eligibility criteria meeting different needs, which collectively form a housing continuum illustrated in Figure 2.1.

FIGURE 2.1: THE AH CONTINUUM

The AH Continuum							
Transitional Housing	Assisted Self-Help Housing	Social Housing	Other Institutional Practices	Affordable Rental Housing	Affordable Home Ownership	Affordable Rental Housing	Affordable Home Ownership
Government Subsidized Housing				Non-Market Housing/Cooperative Housing		Market Housing	

The selection of housing policy and/or practices detailed below represents the initiatives that are most commonly utilized in countries/communities that are working to address shortages of AH, and is by no means exhaustive. Table 2.1 presents selected “best practices” from Asia, and outlines AH provision in United States (US) and United Kingdom (UK).

TABLE 2.1: TYPES OF AFFORDABLE HOUSING INITIATIVES

S.No.	Types of Affordable Housing Initiatives	Details of the programme
1	Transitional Shelters (emergency and night shelters, transitional homes and working women’s hostel).	Emergency Shelters are provided by the government (often with the help of relief agencies/organizations such as International Red Cross) in emergencies such as fire, floods or natural disasters (hurricane or cyclones). Night shelters provide free basic accommodation during the coldest winter months. Many are run by faith groups or charities but serve anyone who visits the shelter.
		Transitional housing programmes are more common in the developed countries (such as US and UK) and provide temporary residence for people experiencing homelessness due to factors such as domestic violence, drug abuse. Housing is combined with other services to assist the individual to develop stability in their lives.
		Working Women’s hostel is a popular form of shelter in India. It started with the YWCA movement, whose earliest programme housed young women away from home. It remains a much needed service to women of all categories. In 1972-73 the government

		of India introduced a Scheme for Working Women which provided grants for construction of new/expansion of existing buildings for providing hostel facilities to working women in urban and in some rural areas. There are various charities/NGOs that operate such hostels.
2	Assisted self-help housing	<p>While the self-help paradigm dominated housing policy discourse in Asia, housing sector practice has been extremely diverse. Programmes such as the Kampung Improvement programme in Indonesia (worldhabitatawards.org, 1992), the Baan Mankong programme in Thailand (Boonyabancha, 2009) and Indiramma yojna in India (GoAP, NA) aim to work with the residents to provide building materials, loans and technical support to upgrade their existing dwellings. Land regularisation is achieved through long term lease, cooperative land ownership or distribution of land titles. It also offers opportunity to up-skill the community by forming small building groups, cooperatives, or mason training. In some ways, it is similar to the incremental self-build programmes promoted by Slum Dwellers International (SDI, NA).</p> <p>Often, NGOs are major actors in assisted self-help housing, by organizing potential beneficiaries into community groups, informing them of their rights, lobbying for government assistance, and sometimes even acting as the developer of the infrastructure and dwellings. Habitats for Humanity (HfH), Practical Action (PA), National Slum Dwellers Federation (NSDF), the Society for the Promotion of Area Resource Centers (SPARC) are some of the NGOs working in the AH sector.</p> <p>These programmes have used innovative approaches based on principles of inclusive zoning and transfer of development rights (TDR)¹⁹. One such example from Dharavi slum in Mumbai has been documented by Sanyal & Mukhija (2001). The state government wanted to redevelop Dharavi with the intention of minimizing the relocation of slum inhabitants, encouraging them to contribute financially towards project cost, and work with cooperative housing societies responsible for design, construction and</p>

¹⁹ See Appendix 1.1 for more on TDR

			<p>maintenance of property. It was led by the NGO SPARC together with NSDF and the Mahila Milan (MM). SPARC have a division called Samudaya Nirman Sahayak (SSNS), a sister NGO that assists communities with financial and technical aspects of housing development and construction.</p> <p>The municipality leased the land to the cooperative, which then used the lease as collateral to raise funds. 15% of the project cost and 20% interest free loan were provided by the government. Housing finance loans constituted 50%, the rest contributed by the beneficiaries. The existing slum dwellers were to be provided cooperatively owned multi-storey accommodation with legal tenure.</p> <p>However, after several issues and years of conflict, the final project that evolved was in-situ reconstruction, whereby private developers as well as housing cooperatives could be promoters in redeveloping slums. The eligible slum dwellers received housing units of 17-21m² and did not pay more than 23% of the cost. This was achieved by building and selling additional units at market price to high income buyers thus generating profits to cross-subsidize the slum dwellers. The government increased the Floor to Area Ratio (FAR) for the project and allowed TDR benefit to the builder to partially transfer the development rights to other highly priced areas in the city thereby providing him with a greater incentive to re-build in the poor areas.</p> <p>Based on similar principles, the Community-led Infrastructure Finance Facility (CLIFF) by Homeless International supported 15 projects in India by providing loan finance for slum development. One such project is in conjunction with SPARC and SSNS which includes the construction of over 5,300 new homes.</p> <p>While popular processes of self-build and bottom-up development have arisen, they do not provide a fast enough or large-scale solution to the immense housing demand facing Asian cities (UN-HABITAT, 2011).</p>
6	Social Housing	South East Asia	Singapore and Hong Kong have managed major subsidised public housing programmes, reportedly,

			<p>resulting in almost universal access to adequate housing. Their success is attributed to – centralised governments with highly regulated economies, steady economic growth, lack of rural migrants, publicly owned and appropriately regulated land policies. In other Asian countries, however, direct public housing provision has had very limited success (UN-HABITAT, 2011).</p>
		USA	<p>There are several AH schemes, most of which provide grants to fund - 1) building, buying, and/or rehabilitating housing for rent or homeownership or 2) providing direct rental assistance to low-income families. The HOME Investments Partnerships Programme is the largest Federal block grant programme for State and local governments designed exclusively to create AH. The National Housing Trust Fund supports families with incomes below the poverty line. The Self-Help Home Ownership Opportunity Programme provides funds for non-profit organizations to 1) purchase home sites for low-income families and 2) develop or improve the infrastructure for sweat equity and volunteer-based homeownership programmes. US Department of Housing and Urban Development (HUD) also helps apartment owners offer reduced rents to low-income tenants under its Privately Owned Subsidized Housing scheme, and to the elderly and persons with disabilities under the Public Housing scheme. Apart from these schemes, the Housing Choice Voucher Programme provides demand side subsidies for housing (HUD, 2015).</p>
		UK	<p>Qualifying households join the local authority's waiting list or housing register, where a points/banding system determines the applicants priority (Shelter UK, 2015).</p> <p>Social AH is largely rental with an option/right to buy in certain cases. It has various types of tenancies, each having its own set of rights and responsibilities. New tenants are usually offered a starter tenancy (a 'trial' period of 12 months), which may then be converted to an assured or fixed term. An assured tenancy normally allows people to live in the property indefinitely, while a fixed-term tenancy is for at least 5 years, with the landlord having the discretion for renewal (ibid.).</p>

			<p>The government has also created a range of Help to Buy products such as Shared ownership and Equity loans. Shared Ownership allows purchase of a percentage share of a property while paying a subsidised rent on the remaining share. Further shares can be bought until the property is owned outright. Under the Equity Loan scheme one can purchase specific new-build properties, where the Government lends 20% of the cost, so that home buyers need to provide only 5% cash deposit, and secure a 75% mortgage. The loan fee is waived on the 20% loan for the first five years ownership (Help to buy, 2015).</p>
7	Other Institutional Practices - refer to programmes that address the constraints of land or mortgage	Land	<p>Support from the public sector is crucial for securing land for AH. Support can be in terms of reserving land for social housing so that there is no competition, subsidies for acquiring land, subsidies for construction cost which makes more money available for land, subsidies to tenants (so they can pay higher rents, which increases the amount that providers can offer for the land) and/or subsidies towards the acquisition costs where the housing is for sale (Needham & de Kam, 2000).</p> <p>In China, urban land remains the property of the state and leases are auctioned to developers to construct AH for ownership. Low-income households in poor housing are provided with one-off equity grants, and developers offered fiscal incentives to build housing within a negotiated price range. More than 20 million dwellings have been constructed through this approach in a five year period (UN-HABITAT, 2011).</p>
		Mortgage	<p>There are a range of innovative approaches to housing finance throughout Asia such as government subsidies in China and India, or community-led initiatives such as the Community Mortgage Programme in the Philippines and the Grameen Bank Microfinance in Bangladesh.</p> <p>Singapore's Central Provident Fund (CPF) helps households to save by contributing a certain percentage (depending on age) of their monthly income to a tax-exempt housing fund. 95 per cent of employees aged 21 and above own public housing brought with CPF savings (UN-HABITAT, 2011).</p>

			Islamic housing finance (musharakah) in Pakistan, works on a declining-balance/shared-equity partnership, where the bank buys the house, and leases it back to the consumer. The consumer then buys units of the property and eventually buys out the financiers' equity and acquires sole title. This is less risky for the bank and reduces the down payment requirement, often the main barrier to securing housing finance (Askaribank, 2015).
8	Non-Market Housing/Cooperative Housing/Public-private partnerships	Non-Market Housing	This includes provision by private providers through conditions placed on planning permission for housing development. Various state governments in India (Chhattisgarh, Haryana) for instance, require that developers allocate a certain per cent of the total plots/number of dwellings for EWS/LIG families. Similarly, other states (Maharashtra) permit a 20% increase of the normally permissible density limits for schemes having at least 60% of the dwellings for EWS/LIG. Such practices are common in other countries as well.
		Cooperative Housing	Housing cooperatives exist in various forms throughout North America, Southeast Asia and Europe and have effectively produced and managed AH since the 1900s ²⁰ . Cooperatives promote long-term affordability primarily through agreed limits on resale prices of shares. Income restrictions on buyers of AH cooperative shares ensure that the housing remains well targeted (CMHN & VNC, 2004). A housing cooperative is a legal (usually not-for-profit) corporation which owns or leases all its real estate. The occupants have to buy/rent shares to obtain a membership in a cooperative which grants an exclusive right to live in a specific unit (established through an occupancy agreement or proprietary lease) for as long as the occupant wishes and adheres to the cooperative's rules and regulations. Members set the bylaws and elect, from among themselves, a board of directors. The board organizes a membership meeting at least annually, and hires staff to run the day-to-day business of the cooperative (such as maintenance, landscaping, handling finances and organizing social activities). As part of the membership, the occupant has a vote in the corporation's affairs. At-cost operations, personal income tax deductions, lower turnover rates, lower

²⁰ Bangalore Building Co-operative Society, the first housing cooperative in India, was founded in 1909 in the State of Karnataka (former State of Mysore).

			real estate tax assessments (in some local areas), controlled maintenance costs, make cooperative housing more affordable (URC-UWS, 2008; NCDF, NA; NAHC, 2015).
		Public-Private Partnership (PPP) Models	Within India, Kolkata pioneered the implementation of the PPP model. The partnership is based on a joint venture model with the equity shares of public partners ranging between 11 and 49.5% depending upon the social content of the project. By 2004, 3,554 units were transferred to the public since the policy's implementation in 1993, and 3,000 additional units were under construction, which equates to an average annual production of roughly 500 dwellings. The overall output constitutes less than 1% of the city's annual average housing need (UN-HABITAT, 2011; Sengupta & Tipple, 2007).

Despite these programmes the shortage of AH persists in most countries. Even in developed countries, especially in cities such as London and New York, AH is in acute short supply. An AH development in New York has received more than 88,000 applications for the 55 low-priced units (Navarro, 2015). One in four renter households in the U.S. pays more than half their income on rent, and another 610,000 (or 400,000 households) were homeless in 2013. Low-income households across the U.S. (10.9 million renters and 7.5 million homeowners) are severely cost burdened - paying more than half their income on housing. This may understate the scale of the problem because the industry lacks complete data on all forms of housing instability – households that miss rent payments, move involuntarily or double-up because they cannot afford to live on their own (Enterprise Community Partners, 2014).

The problem is worse in Asia because of the unprecedented pace of urbanization, with around 44 million people being added to the population in cities every year. This growth requires constructing more than 20,000 new dwellings per day (UN-HABITAT, 2011). A major challenge to provide AH at the required pace and scale is the financial sustainability of these practices for both governments and the non-profits in the housing sector.

2.2 ENABLING STRATEGY FOR A FORMAL AFFORDABLE HOUSING MARKET, INTERNATIONALLY

The launch of the Global Shelter Strategy (GSS)²¹ in 1988 introduced the *enabling strategy* into many national housing policies²². This strategy was based on the works of Charles

²¹ The UN General Assembly on 20 December 1988 adopted a resolution (A/RES/43/181) on Global Strategy for Shelter to the Year 2000 which provided guidelines for steps to be taken at the national level and outlined the considerations for Governments when formulating a national shelter strategy.

²² Prior to the first Habitat Conference in 1976, there were no global talks on the contents of a housing policy. The national governments formulated and implemented their housing policies and strategies by often copying European examples of public housing which could not provide a fraction of what was needed, and most of the houses constructed were built only for government employees. Slum clearance on the Western style has been the major response in many developing countries in dealing with squatter settlements (UN-Habitat, 2003).

Abrams (1964; 1966) and John Turner (1968) who viewed squatter settlements and the self-help initiatives of the poor as a solution to the housing problems. The assumption was - if the slum inhabitants were capable of building their own dwellings under adverse conditions, they would do much better with the governments' support. This view influenced the first global conference on human settlements in Vancouver, Canada, in 1976 resulting in an Action Plan with recommendations for enabling shelter strategies at the national level. This marked a major turning point in the evolution of housing policy. The United Nations Centre for Human Settlements (UN Habitat) was established in 1978 as a follow-up to the 1976 Conference with a mandate to promote the Vancouver Action Plan and guide national housing policies around the world (Tippel & Majale, 2006).

The 'sites-and-services' approach was the first formal "global" strategy that replaced both the slum clearance policy and conventional housing for government employees. It turned the focus of global housing strategy on the housing needs of the poor. The housing agencies were tasked with preparing the land, laying out the streets, and providing trunk infrastructure (World Bank, 1974), while households were expected to incrementally construct their dwellings. These strategies stressed the need for "restoring planning control" (van der Linden, 1986).

However, the first few sites-and-services projects sponsored by the World Bank during the late 1970s turned out to be non-replicable due to high costs and poor project response. Evaluation resulted in down-scaling those projects which were supported by International Financial Institutions (IFIs)²³. The new approach was termed Slum Upgrading, which is the "alternative that has come to be regarded as best practice in dealing with the problems of squatter slums" (UN-Habitat, 2003). The projects were now mostly *in-situ*, and were taken up in a phased manner, with smaller, more modest, projects for water supply and road construction. The biggest difference was that slum upgrading projects were considerably cheaper costing (estimated in 1980) USD 38 per household, compared to USD 1000 to USD 2000 for a core 'Sites and Services' project (ibid.).

Another important change that led to a reduction in project costs was the choice of tenure. The earlier approach had opted for full legalization of tenure in accordance with the existing land titling laws of the respective countries, but this became a long drawn-out affair that impeded project progress. After studies (Doebele, 1983; Payne G. , 2000) claimed that there is a distinction between providing security of tenure and issuing land titles²⁴, and that provision of infrastructure seemed to provide the slum dwellers with a sense of security sufficient for them to invest in improving properties which they already occupied; time-

²³ World Bank (WB), USAID, Asian Development Bank (ADB)

²⁴ Also, focus on land titles has been criticized as leading to distress land sales, resident displacement, or rising rents because of commodification of squatter land (Payne, 2000; Hartzok, 2003). However, recent research has pointed out that commodification of land is not dependent on legal titles; even infrastructural fixes in informal housing developments are leading to speculation in slums, which is actually decreasing the security of tenure of the slum residents (Desai & Loftus, 2013; Mukherji & Bharucha, 2011; Rossi, 2011).

consuming de-jure forms of security were replaced by the more expedient de-facto sense of security provided by state sponsored infrastructure development in the slums (Gulyani & Bassett, 2007).

Slum upgrading projects yielded mixed results, with some cases (Majale, 2008; IDB, 2012) of great improvement in housing conditions. However, often slum upgrading programmes were considered a case of “faking a success”²⁵ (Verma, 2002). There were also cases where the programmes get usurped by either the local elite, or more frequently by the “foreign philanthropies” working along with the NGOs (Davis, 2007). Critics of slum upgrading programmes characterized some of these NGOs working with the government as the “new class middle men” (Verma, 2002) pushing their own agendas or acting as “agents of state” (Zérah, 2009).

That said, both critics and supporters of slum grading programmes would agree that in spite of scaling down the slum improvement efforts, governments simply do not have enough resources to support all the slums and their dwellers through even the most basic slum upgrading.

An alternative to slum upgrading but part of the “enabling” approach was the enabling markets strategy. The World Bank published in 1991 its *Urban Policy and Economic Development: An Agenda for the 1990s*; and in 1993, it formally suggested the *Enabling Market Strategy*, based on privatisation, deregulation and decentralisation (The World Bank, 1991, 1993). This implied creating conditions, institutions and regulations aimed at supporting housing finance systems to promote home ownership, under neoliberal principles of reliance on private property and market forces.

The neo-liberal economic paradigms were based on the failure of the government to improve access to housing and other urban facilities (The World Bank, 1997). The idea was that free market mechanisms were better able to deliver, even to the lower strata of the society and would bring more economic advancement than a regulated economy. Therefore, the economic role of the state should be minimized, leaving the price mechanism in competitive markets to take care of the dynamics of growth as well as transformation and development of the backward economies (Sandhu & Korzeniewski, 2004).

Another major component of this enabling market policy was a shift from supply-side to demand-side subsidies. This was seen as a means to enlarge the demand for privately-produced residential units. Programmes were designed with the rationale that low-income

²⁵ Verma (2002) presents two celebrated cases of slum upgrading programmes in India both of which had won several international awards. The first one was the UK sponsored Indore scheme which aimed at providing the slum households with individual water and sewer connections. However, a point which was not considered in the programme was that residents did not have enough water to drink, much less to flush waste, so sewage backed up into homes and streets, malaria and cholera spread and residents began to die from contaminated water (pp 8-15). The second was Aranya resettlement project, in this case, most of the project’s achievements that were being celebrated were literally on paper, that “a drawing, a design idea” had won awards which no one was sure would work as it had not been tested yet (pp 33-35).

households will be able to finance their housing through the free market, with their own savings, assisted by a down-payment subsidy or a subsidised loan provided by the state (Baindur & Kamath, 2009).

Most countries opted for promoting housing markets and individual home ownership, privatising social housing programmes and deregulating housing finance markets (Rolnik, 2012). The focus was also on developing housing finance mechanisms to enable households to take a mortgage (UN-ECE, 2005; The World Bank, 1988).

When the privatisation efforts did not result in a market for AH, the World Bank modified its stand (The World Bank, 2000) and formulated new ways to mobilize private investment in AH and urban services. Decentralisation and accountability through market mechanisms represented “a recasting of the debate by the IFIs from promotion of outright privatisation of urban services to the commercialisation²⁶ of urban service delivery and deployment of client power” (Baindur & Kamath, 2009).

New research (DeSoto, 2000; Payne, 2001) argued that the restrictive regulatory frameworks in most developing countries were responsible for widespread informality. The logical step in improving housing conditions in these countries was not to impose new controls and regulations, instead, it was to remove such constraints on the housing process. This was the focus of WB’s subsequent World Development Reports²⁷ in 2002 and 2004, which argued for easing the regulations to make institutions work for the poor. The World Bank has subsequently published an annual *Ease of Doing Business Report* to record the progress that the individual countries have made in simplifying their regulations.

The current stance of the World Bank combines these two strands: 1) lowering regulatory barriers and addressing constraints of land and credit, and 2) commercialising urban services through user fees, municipal bonds and forms of debt and by promoting public-private partnerships.

2.3 URBAN HOUSING POLICY AND PRACTICE IN INDIA AND CHHATTISGARH UNDER THE GLOBAL INFLUENCE

Although the Government of India (GoI), over the years, has embarked on a variety of innovative housing programmes and policies, especially for the lower income segments of the population in urban areas, the coverage of these programmes and schemes is marginal when compared to the overall housing requirements of the urban population (Sivam & Karuppannan, 2002; Willis & Tipple, 1991).

²⁶ Commercialization of urban services was defined as changes in institutional and financial management that facilitate the shift from public financing to private financing (such as user fees, municipal bonds and forms of debt) and from public provision to private design, operations and delivery of services through outsourcing, contracting and public-private partnerships.

²⁷ World Development Report 2002: Building Institutions for Markets, and World Development Report 2004: Making Services Work For Poor People

Housing in India falls concurrently under three levels of government - the centre, the state, and the urban local bodies (ULB)²⁸. In urban areas the latter are known as *urban local bodies* and in rural areas as the *gram panchayat*²⁹ (village council). In the urban areas, the housing sector is managed by the Ministry of Housing and Urban Poverty Alleviation (MoHUPA), while the infrastructure development and slum upgrading programmes are administered by the Ministry of Urban Development (MoUD).

The housing policy at the national level gives a general direction to the state housing policies and programmes. It also guides the Gol's resource allocation to the state governments. This is done through various centrally sponsored schemes, and by setting the agenda for national financial institutions that are funded by Gol. The state governments receive the majority of their funding from the centre, and for this reason align their housing policies with the national policy. They may (and often do), however, have their own state sponsored schemes. While the central funding is routed through the concerned state department, the implementation and even administration of many national schemes³⁰ lies to a large extent with the local self-governments (ULBs). The central resource allocation in India is decided on the basis of the Five Year Plans (FYP).

India liberalized its economy in 1991³¹ which included opening up to international trade and investment, deregulation, privatisation, tax reforms, and inflation-controlling measures (Topalova, 2005; Banga & Das, 2012). Based on the recommendations of the IFIs, the Gol came up with the National Housing & Habitat Policy, 1998. The objectives of the national housing policy were clear: it sought to establish the market as the dominant mode of housing provision, at least in the urban areas (MoHUPA, Gol, 1988; NHB, 1999). Although the Gol could itself adopt neo-liberal policies, it could only recommend to the states to privatise their housing markets.

2.3.1 PRIVATISATION OF HOUSING MARKET

The government of Chhattisgarh (GoCG) adopted several recommendations (see Appendix 2.1 for details). In 2000, GoCG abolished the housing board and privatised the housing sector to encourage a free market. While those efforts did lead to a growth in housing market, it was confined to the upper income segments, and did not result in a market for AH. In 2004, GoCG restore the public provision of AH, and CGHB was re-created to "fill a vacuum" (CGHB, 2007), a term which aptly summarises the housing provision for the poor from 2002-2004, the trial period for privatisation of housing market.

²⁸ Housing was added in the Urban local bodies list as per the schedule 12 of the constitution that relates to the task of the ULBs

²⁹ The ULBs are single-tiered; the panchayats are three-tiered.

³⁰ See the CD for an 'At a Glance' and chronological view of the policies of the Government of India (Gol), Government of Chhattisgarh (GoC), and the schemes promoted to give effect to these policies.

³¹ The economic liberalisation in India refers to ongoing economic reforms in India that started on 24 July 1991. In 1991, after India faced a balance of payments crisis; it had to pledge 20 tonnes of gold to Union Bank of Switzerland and 47 tonnes to Bank of England as part of a bailout deal with the International Monetary Fund (IMF). In addition, the IMF required India to undertake a series of structural economic reforms. As a result of this requirement, the then government started the process of economic reforms.

Being aware of the limited resources for public provision of housing, the State Housing Policy of 2004 emphasized the need for private sector participation in AH by “strengthening the role of government as a facilitator” and “creating an enabling environment by undertaking legal and regulatory reforms” (Housing Policy of Chhattisgarh, 2004). GoCG undertook several of the mandated legal and regulatory reforms such as revision of Rent Control and Land Acquisition acts, mandatory reservation of 15% land and 10% housing for LIG/EWS in every housing project, and creating a shelter fund to pay for either infrastructure development or land. CGHB also served as a guarantor to ensure credit supply for the EWS/LIG buying dwellings in their projects. To address issues of credit and housing finance NHB and HUDCO were set up at the national level. The state housing policy has not been revised since; hence this is the current official stand of the state government.

2.3.2 EMERGING STATE ENTERPRISES

Post 1990s when private investment was not forthcoming in spite of several steps to enable markets in AH, public authorities took on the role of state enterprises; contrary to the principles of the enabling approach. In Chhattisgarh, while the state agencies mirror the practices of speculative developers in terms of having a land bank, aggressive marketing campaigns, and competitive building practices, for the EWS/LIG sector they still retain the practice of allotment³² of subsidised housing.

Another point of difference between the private developers and the state enterprises is that the public housing operates on the principles of cross-subsidy. The EWS/LIG housing is subsidised, MIG units are sold with little or no profit, whereas the prices of HIG apartments are set at market levels in order to capture the economic rents for the bundle of housing services being provided.

However, this gives rise to two major concerns: 1) even if the number of units built for EWS/LIG is higher than MIG/HIG units, in terms of total resources that government spends on housing, more is needed to satisfy HIG customers’ needs and demands for quality³³, 2) given that housing authorities in India have been continually criticised for poorly targeting the subsidies, any laxity in targeting the subsidised units is likely to result in relatively affluent households benefiting from the cross-subsidy.

³² Allotment refers to the process by which a committee (usually headed by the District Collector) selects the households for buying a EWS/LIG dwelling built by the government agencies. The government agencies build a certain number of EWS/LIG dwelling every year. These dwellings are subsidized by varying amounts under different housing schemes. The number of dwellings built fall short of the actual demand and therefore the application for eligible candidates are screened based on certain criteria. Even the number of eligible candidates usually exceeds (3-4, to sometimes 10, times) the number of dwellings available. Therefore the committee draws a lottery, and those selected are allowed to buy the dwellings.

³³ Sengupta & Tiple (2007) and Sivam and Karuppannan (2002) quote Ansari (1989) for the following figures: 85 per cent of the expenditure by the Housing Board benefits the HIGs and MIGs, whereas only 8 per cent and 7 per cent are devoted to LIG and EWS housing respectively. It is harder to get the approximate investment figures spent on each sector (HIG/MIG/LIG/EWS) as every housing development has all kinds of units and “... a dearth of information and lack of transparency in government operations (a typical characteristic of South Asian governments)” does not allow such calculations to be made easily.

Another criticism is that the public authorities generate so few LIG and EWS dwellings in comparison to demand that it is hardly making any significant impact on the low-income housing in the city (Sengupta & Tipple, 2007).

2.3.3 COMMERCIALISATION OF INFRASTRUCTURE AND URBAN SERVICES

Along with privatisation of housing, the 8th FYP (1992-97) continued its focus on recovering the costs incurred by local governments in providing urban infrastructure services. The 74th Constitutional Amendment Act, 1992 introduced wide-ranging urban sector reforms to strengthen municipal governance. In 1994, an Expert Group on Commercialization of Infrastructure projects was set up, which published the India Infrastructure Report (IIR) in 1996.

The prescriptions of the IFIs for mobilising private resources for infrastructure development were integrated into this IIR report. It recommended moving away from state subsidies and guarantees to seek private sector participation in urban infrastructure by accessing capital markets through municipal bonds. The MoUD launched several urban development schemes [Mega Cities Loan, the Urban Reforms Incentive Fund (URIF) and the City Challenge Fund (CCF)] that for the first time linked budgetary allocations to the implementation of these specific policy reforms by the state governments (Baindur & Kamath, 2009).

This idea of raising funds from the market was reinforced during the 9th FYP (1997-2002), with a substantial reduction in budgetary allocations for infrastructure development. In 2004, it was recommended that state or local governments should be able to take future loans directly, and that national guarantees should be phased out (Twelfth Finance Commission, 2004). “All this has meant that cities were being starved of central government funding and compelled to undertake development projects through borrowings from the market, generating user fees and/or loans from IFIs (Baindur & Kamath, 2009).”

This strategy was accompanied by several assistance programmes from the WB and Asian Development Bank (ADB), such as: opening municipal funds that offer financial support to cities/states (loans without sovereign guarantees) for infrastructure development³⁴, technical guidance³⁵ and grants to cities/states for financial reforms. USAID, through its three phase - Financial Institutions Reform and Expansion- Debt (FIRE- D) - project (1994-2008) helped develop models for market financing for local government projects³⁶ (ibid.).

³⁴ Provided by International Finance Corporation since 2003 and by the Infrastructure Leasing and Finance Services (IL&FS) Company since October 2006. IL&FS set up a Rs. 30 billion Urban Infrastructure Fund, supported by a consortium of 15 public and private banks and financial institutions (The Economic Times, 2006).

³⁵ Capacity building is outsourced to a number of select Indian institutions several of which have been initiated with funding from the IFIs. These institutions include the Strengthening Urban Management Programme (SUM) of the Administrative Staff College of India (ASCI) set up in partnership with the World Bank Institute, City Manager's Association of India and its state level chapters (funded by USAID), and the Centre for Good Governance, Hyderabad set up with WB funding.

³⁶ In 1994, the Indo-US FIRE (D) project began the work of developing a municipal bond market in India. It engaged an Indian credit rating agency, Credit Rating and Information Services of India Limited (CRISIL), to develop a methodology for conducting municipal credit ratings in India. Before issuing bonds, municipalities need to receive a credit rating since

The technical instrument to be employed for raising funds was the Pooled Municipal Debt Obligation (PMDO) (The Economic Times, 2006); smaller municipalities were grouped together to form one large unit, so as to increase their credit worthiness. Also, in 1999 GoI declared tax-free status to municipal bonds to boost the municipal bond market (Satyanarayana, 2001). However, the municipal Bonds market “has been effectively dead”, reportedly because the larger and better-rated municipalities have sufficient funds and are reluctant to turn to the debt markets, while smaller municipalities are not creditworthy. In addition investors (lenders) are reluctant, because they have concerns about the ability of municipalities to increase revenues and fund themselves, in the face of regular political interference (Dalal, 2014). In many cases (Aggarwal, 2008; Down to Earth, 2008) the municipalities increased the fees, promising better services but could not collect the entire amount due to political interference. Any money recovered went largely towards repaying the investors and the lenders (Baindur & Kamath, 2009). This meant the paying customers were left without adequate services leading to even worse collections in the following period.

Being able to raise municipal funds did not resolve the constraint of lack of infrastructure. Most municipalities were unable to utilise the funds, due to projects seeking additional funding prematurely, bureaucratic delays, and/or the implementation capacity of the local authorities, which are required to submit detailed financial reports and utilisation certificates (Accountability Initiative, 2014; Thakur, 2009), and had to pay a penalty to the lending agencies. From 2004-09, the government paid close to Rs. 700 crore (US\$127million) as penalty (commitment charges) to IFIs for non-utilisation of sanctioned loans. An estimate of such expenditure since 1991 puts the figure upwards of Rs. 1,400 crore. The Finance Ministry (GoI) reports that till 2008, there were 231 externally aided projects of which more than 40% were paying commitment charges (Thakur, 2009).

2.3.4 PUBLIC PRIVATE PARTNERSHIPS (PPP)

Commercialization of urban services, including housing, was formally launched in 2005 in India through JNNURM for a seven-year period (up to March 2012, later extended to March 31, 2014), to encourage cities to initiate steps for bringing phased improvements in their civic service levels and to set up PPPs as a means for financing and delivering infrastructure. In 2006, ADB provided USD 2 million in technical assistance (TA) to the Government of India to set up PPP cells in JNNURM pilot cities. These were meant to develop the capacity to prepare, evaluate and appraise PPPs in infrastructure, and to improve monitoring of progress of the partnerships, in cases where the loan conditions stipulate forming PPPs for provision of basic services (ABD, 2006 updated 21 Oct 2013).

investors’ decisions on whether to invest in the bond issue depend on such a credit rating as it is meant to provide them with an independent third-party assessment of the municipality’s relative current and future credit strengths and weaknesses.

The *Affordable Housing in Partnership* Scheme was introduced in 2009 under JNNURM in 65 pilot cities, including Raipur with the aim of “operationalising the strategy envisaged in the National Urban Housing & Habitat Policy, 2007” (MoHUPA, 2009). Cities chosen were where “shortages of land for housing are driving unplanned growth and raising home prices and rentals to unsustainable levels”. The selection criteria for the housing projects were defined in terms of a certain number of houses being reserved for EWS/LIG population. The sale price of these dwellings had an upper ceiling. A total budget of Rs. 5000 crores (approximately USD 900 million) was earmarked for the scheme. It encouraged a “market based approach” by attracting private developers to build on their land, by granting zoning-related incentives such as land use conversion, and increased density measures for the construction of AH to be allotted by the State/UT government. The States/UTs were “encouraged to develop a legal/regulatory framework of provision of land for AH that promotes innovative partnerships/models for AH”. However, in order to access the above mentioned incentives and government funding, the projects had to be in partnership with the government. Also, the builders would have to follow the prerequisites of the scheme, such as allotment of houses through the government and house price determination by the government. The scheme could also be undertaken by a public housing authority without private sector participation. In practice, private builders were not interested in the scheme, which received lukewarm response even from the public housing authorities, with only two states opting to implement the scheme. Chhattisgarh was one of the two states, with 3740 dwelling units being sanctioned under the scheme for CGHB in Raipur.

This scheme has been revised in September 2013 (MoHUPA, 2013). While the conditions for private sector participation in the scheme remain the same, the minimum floor space and income limits of EWS/LIG have been revised. Other amendments include:

- An effort to bring “all existing slums, notified or non-notified (including recognized and identified) within the formal system and enabling them to avail the basic amenities that are available for the rest of the city”.
- Encouraging creation of rental housing stock for the growing rental population, “necessitated by the Census 2011 estimation that nearly 27.5% of the urban population is living in rented accommodation”³⁷.
- Setting a maximum time limit of 60 days for project approvals.
- Projects can be undertaken by the Government bodies, or in PPP, or by private builders whereby state offers incentives/facilities like Transfer of Development Rights (TDR)³⁸, increased density measures and/or other concessions”.

These conditions are in line with WB’s revised policy recommendation of building public/private participation as an initial step towards enabling markets. In spite of these regulatory reforms (more are mentioned in Appendix 2.1), and addressing issues of land or

³⁷However, these rental estimates include the entire population and our survey reveals a much lower proportion of rental dwelling in the slums.

³⁸ See Appendix 1.1

credit, the Government has not been successful in either enabling a market or securing private investment for AH through PPP.

2.3.5 CRITICISMS OF PPPs AND THE STRATEGY OF COMMERCIALIZATION OF URBAN INFRASTRUCTURE

The PPPs are usually managed by large transnational companies (often with local offices), and have faced protests³⁹ against high fees being paid to international consultants, and questions on whether and how they actually strengthen and institutionalize capacities within local governments (Baindur & Kamath, 2009).

Mukhopadhyay (2008) argues that the current PPP arrangement engenders corruption. Operating in a corrupt environment with a weak regulatory set up⁴⁰, along with administrative incapability to oversee sector performance, allows the private contractor to use less and/or poorer material than is mandated, and to share the savings with supervisors and their superiors. He further states that the current focus is on using PPPs in infrastructure to get commercial revenue via user fees rather than improving services or accountability, and that providing infrastructure should be a function for taxes, not for raising government revenue.

JNNURM also introduced a new system for property tax assessment⁴¹, to improve the ability of cities (ULBs) to generate revenues. However, the generated revenues had to be first used to secure IFI loans. Paybacks were based on a projected 251% increase in monthly water and sewerage charges (in real terms) between 1996 and 2005 and a projected 123% rise in property tax collections from 2000 to 2004. When it came time to pay, local councillors and engineers could only realize a small increase in property tax collections and tariffs, due both to political and affordability considerations. This benefited the IFIs, rather than strengthening the ability of ULBs to provide better services to its citizens (Baindur & Kamath, 2009).

Yet others have criticised the JNNURM's PPP plans on the grounds of subverting democratic institutions, namely that they give greater agency to private corporations than elected bodies. The JNNURM projects, probably to avoid the constant interference of local political councillors/ministers in the implementation of government schemes, were planned in a way that kept the ULBs out of the implementation. This meant that there was no direct link between the ULBs and the contractors hired to do the work in the ULB's jurisdiction. The local elected representatives are not consulted on decisions regarding tenders, selection of

³⁹ the Delhi Water Board (DJB) case and the KUWASIP project in North Karnataka

⁴⁰ JNNURM has not put in place minimum performance standards for private operators or established penalties for defaulting on performance standards. Nor does the state have adequate resources for monitoring and administering penalties.

⁴¹ The Capital Value System (CVS –unit area value method) CVS introduces valuation based on market values of the land as opposed to rental values in the prevailing Annual Rateable Value (ARV) system of property tax. The rationale given was that it will serve to increase property taxes especially in areas where land values are high.

consultants, or performance benchmarks. Contractors have to be approached through the parastatal body, which is managed by government officials (bureaucrats not elected officials). It was argued that this not only made monitoring and accountability to local government (and local residents) difficult, but left no room for political debate. Frequent changes in the officials and engineers in the parastatal body compound follow up work. Consultant-driven projects that exclude political participation promote a parallel governance structure dominated by bureaucrats. Moreover, the policy changes meant ULBs had to borrow directly from the IFIs and bear the exchange and interest rate risks of external loans. JNNURM, it is claimed, centralised all decision making regarding the projects' selection and implementation, but decentralised the debt burden, which later leads to a serious likelihood of indebtedness of ULBs (Jamwal, 2006; CASUMM, 2008).

The projects were designed based on the assumption that private investors are typically interested in large projects because returns are higher, even when ULBs did not have the capacity to absorb these funds. This also presented a risk that projects were prioritised not by social but profit considerations. However, private players claimed that there are insufficient financial incentives for them to enter urban infrastructure, along with lack of a proper legal framework to facilitate the design and implementation of PPPs. This, and having to deal with the resistance from land owners when acquiring the large tracts of land required to undertake large infrastructure projects made the proposition unattractive (Baindur & Kamath, 2009).

2.4 CONSTRUCTING A MARKET FOR AH

The Enabling Markets strategy has faced criticisms on multiple grounds - that the speculative private market will not cater to the poor and that the most vulnerable groups will be adversely affected (Baken, 2003; Baken & van der Linden, 1992; Jones, 1996), or that the strategy would lead to over-concentration on private markets at the expense of alternative/complementary modes of housing provision, and would exclude such alternatives from serious policy consideration (Keivani & Werna, 2001).

The popular perception of why an AH market often cannot be enabled is that the market is not commercially feasible – “for very obvious reasons, such as affordability, perceived risk and profit” (Giddings, 2007).

While it must be accepted that the policy of enabling markets in AH will not effectively serve the housing needs of all the urban poor, it might still be able to serve a section of the slum population. The conclusions made by academics, who regard the market enabling strategy as over-emphasising the private market at the expense of other modes of provision, would be valid if we are to consider the housing needs of the “poor” in general. However, this present study focuses on those sections of the urban poor who might be able and willing to pay for their own AH.

The market enabling policy and the discussion around it, essentially pose the debate as two opposing poles: between market-enabling on the one hand which seeks a minimal regulative state, and public provision on the other. It is however more fruitful to see that policy as part of a pluralist perspective that would allow extensive regulation of the market and/or direct public provision to complement the market process, while at the same time supporting market development (Cao & Keivani, 2013).

This calls for a serious consideration of the criticism of the market enabling strategy⁴², namely that the policy underestimates major market and institutional failures in developing countries. The mixed results of how the enabling strategy has worked out in developing countries demonstrate the need to study why a market for AH did not emerge in, for example, Raipur. Some believe that a complex, more sophisticated role of the state is needed to support well-functioning property markets: “Paradoxically, enabling involves not only decentralisation but also some form of centralisation; not only privatisation but also new kinds of public investment; not only de-regulation but also enforcement of new regulations; and not only demand driven development but also supply driven initiatives” (Mukhija, 2001). This statement deserves to be examined.

Designing markets in this sense requires not only overcoming the barriers and addressing the constraints, but also introducing a detailed set of rules and regulations that are contextualised to a given environment. The focus is on studying the working and requirements of particular markets well enough to “fix them when they’re broken or to build markets from scratch when they’re missing” (Roth, 2007). Markets are no longer simply viewed as the coming together of supply and demand; but are understood as being situated in a larger social context that influences them. The emphasis is on understanding the constitutive elements that make each market special: “For example, supply and demand drives both stock markets and labour markets, but someone who wants to buy or sell shares in a company goes through a very different procedure from that followed by a job seeker or an employer. Moreover, labour markets work differently from one another; doctors aren’t hired the way lawyers, professional baseball players, or new MBAs are” (ibid.).

Markets are as much a product of political process as an economic entity. Economic theory supplies terms and frameworks for formulating and justifying market rules, while property rights, rules of exchange, unwritten norms and a cultural context are all objects of political contention. All these are at any given point in time influenced not just by interested market actors who are selling or seeking, but by legislators who codify market rules as law, by regulatory authorities, and even by the cultural context that establishes limits on admissible strategies and claims (Breslau, 2013). This implies that the process of market design, which might seem simple in theory, may lead to uncertain results in reality due to the socio-political and cultural complexities.

⁴² See Cao & Keivani (2013); Keivani & Werna (2001); Mukhija (2001); Baken (2003)

2.5 HOUSING AFFORDABILITY STUDIES IN INDIA

The first point that arises when exploring market options is whether or not the urban poor can afford to pay for their own housing. There have been many studies⁴³ on housing affordability of the urban poor in India. However, before the Technical Committee on Slum Statistics published its report in 2010, there was no agreement on the number of slums and slum population⁴⁴. It is therefore difficult to analyse the existing situation comprehensively. These studies have used their own definitions, followed different criteria and objectives, but there is one common conclusion - that the 'urban poor' is a broad category consisting of various sections with varying capacity to afford housing and that at least a section of the urban poor are capable of and "generally willing to pay for services, provided they receive the kinds of services that they need and regard [the exchange] as good value for money"⁴⁵.

The GoI classifies housing into various categories, by price and size and facilities, each category intended for a particular sector –EWS, LIG, Mid (MIG) and High Income group (HIG). For a house to be suitable for a particular sector, it should not cost more than a certain amount. The price specifications are set largely in the context of EWS/LIG housing⁴⁶.

The GOI has stipulated a minimum floor area of 300 ft² and a maximum of 1200 ft² under its "Affordable Housing in Partnership" scheme. Houses built in Chhattisgarh conform to this range now. The price⁴⁷ of LIG houses built under Deendayal Awas Yojana⁴⁸ (2007-08) was between Rs.2.5-3.00 lacs depending upon location and other factors. The price of EWS house under New Atal Awas Yojana⁴⁹ was fixed at Rs.1.10 lacs, although the actual cost (2007-08) was around Rs.1.25 lacs. The price of a flat under GOI's JNNURM BSUP housing scheme is expected to be between Rs.1.75-2.00 lacs. In all cases the cost includes the infrastructure cost (drains and roads). Table 2.2 shows a similar classification based on 2014 prices and income limits. Formal housing in Chhattisgarh also needs to have five basic amenities of toilet, drinking water, roads, drainage and electricity in order to get the town and country planning approval for the building plan. The cost for hypothetical dwellings used during the fieldwork (see Chapter 5) to assess the housing affordability of the urban poor living in the slums of Raipur, were comparable to these prices.

⁴³ See Ghosh and Sanyal, Muttagi, P.K., Singh, U.B., Sachithanandan, A.N., Thangavel, C., Bhattacharya, K.P., for a collection of essays on Rent Affordability in 'Affordable Housing and Infrastructure in India' (1998); Also see Mascarenhas (2010); Singh S. (2011); FEEDBACK VENTURES (2006); Mahadevia, Joshi, & Sharma (2009) and Mukherji & Bharucha (2011) for more recent data.

⁴⁴ There was no slum population data available (before census 2001) on full count basis. The slum population was estimated by Town and Country Planning Units for 2001 as approximately 62 million. As per UN Population Report (by mid-year 2001), India's urban slum population was estimated at approximately 158 million. There were various other estimates. These data gaps prompted the setting up of the Technical Committee on Slum Statistics to set a definition for "slum" and to provide a set methodology for estimating the slum population and conducting slum census. The Technical Committee on Slum Statistics did not consider housing affordability.

⁴⁵ (ESF/N-AERUS Workshop - Working group 1, 2000)

⁴⁶ Some government housing schemes have set price and cost specification for MIG/HIG housing as well.

⁴⁷ The price of the housing is determined based on the actual cost of the house and the subsidies available. The cost of the house is determined by the lowest bid on that particular housing scheme project. The construction bid is open to private builders.

⁴⁸ GoCG housing scheme for LIG.

⁴⁹ GoCG housing scheme for EWS.

TABLE 2.2 GOVERNMENT OF CHHATTISGARH CLASSIFICATION OF THE URBAN POPULATION FOR HOUSING PROVISION (2008)

Category	Definition based on household income per annum	Floor area	Notional Cost of Houses (including land and infrastructure development cost) Based on Deendayal Awas Yojana
EWS	Rs.0.60 lac	300 ft ²	Rs.1.25-1.50 lac
LIG	Rs.1.20 lacs	425-500 ft ²	Rs.2.20-3 lacs

TABLE 2.3 GOVERNMENT OF CHHATTISGARH CLASSIFICATION OF THE URBAN POPULATION FOR HOUSING PROVISION (2014)

Category	Definition based on household income per annum ⁵⁰	Floor area	Notional Cost of Houses (including land and infrastructure development cost)	
			Based on Atal Vihar Yojna prices	Based on Sector 29 Housing Allotment in Naya Raipur
EWS	Rs.1 lac	300–400 ft ²	Rs.3.1-3.5 lacs on which the state provides a subsidy of Rs. 80, 000 to the buyer.	Rs. 2.65-3.05 lacs
LIG	Rs.1-2 lacs	425-500 ft ²	Rs.6.5-8.3 lacs on which the state provides a subsidy of Rs.40, 000 to the buyer.	Rs. 6.05-6.45 lacs

Source: Based on official CGHB sources

According to the tables (2.2 and 2.3), theoretically if the EWS/LIG could secure a mortgage three times their annual income, which is the norm in many places⁵¹, they would be able to afford⁵² decent formal housing built as per government standards⁵³.

⁵⁰See definitions Appendix 1.1.

⁵¹ In India, the norm is five times of annual income or 60 times of monthly income, as practiced by Nationalized Banks under Individual Housing Loan.

⁵² This is a theoretical assumption because the ability to pay monthly instalments and having enough savings to be able to afford the down payment varies with each family.

⁵³ There is no public/social low income rental housing sector in India. New programmes under Rajiv Awas Yojana (RAY, JNNURM) were looking to encourage rental housing schemes. However, the new government elected in May 2014 has

If a section of the slum dwellers can indeed afford to pay for their housing, what then is hindering an AH market? Chapter 4 explores the literature on institutional constraints to AH market.

2.6 CONCLUSION

The housing policy investigated in this study is the possibility of creating the conditions for a formal market in AH, as a way of reducing the enormous shortage of housing for the urban poor. If we place this proposed policy in the context of discussions on housing policy in developing countries in general, and in the context of these discussions in India and the Indian state of Chhattisgarh, then we see that it is an 'enabling policy' (helping the poor to help themselves) and that it tries to learn from the experiences with enabling policies in the past. What can be learned from those experiences is the importance of the government as regulatory authority. By examining formal and informal constraints, and by restructuring the institutions, can the government come up with culturally and financially realistic standards of adequate shelter options, involving various tenure⁵⁴ and incremental development options.

announced its plans to make monthly housing mortgage cheaper than monthly rents as a clear indication of preference for owner occupied housing (NDTV, 2014).

⁵⁴ While the study focuses on new construction for sale, it could also be extended to rental housing later wherein the houses are bought by landlords who are willing to operate under a rent ceiling.

3. THE THEORETICAL CHOICE

3.1 APPROACHES TO HOUSING ANALYSIS

Kemeny (1987) argued, “while it is not possible to develop anything which can be described as ‘housing theory’, housing analysis must be much more anchored in existing conceptual frameworks derived from disciplines such as Marxism, sociology, geography and political science”. Clapham (2012) discusses the various approaches to Housing Research and Analysis⁵⁵ such as 1) Neo-liberal approach, 2) Institutional Economics, 3) Social Geographic Interpretations, 4) Social Policy Approach, 5) Social Constructionism, 6) Structurally Inspired Approaches to Housing Studies, 7) Housing Politics and Political Science, 8) People-Environment approach.

These various theoretical perspectives show the complex nature of ‘housing’. The research question of this study determines which of these perspectives would be most appropriate. This study began as an attempt to understand why the GoCG’s experiment of privatising housing market was unable to deliver sufficient AH. Informed by the vast literature on housing analysis⁵⁶, an assumption was made that answers possibly lie in the complex institutional framework of the given society, which may constrain both the demand for and supply of sufficient affordable houses. This requires consideration of the issues treated in the theoretical approaches 1, 2, 4, 6 and 7 (see above). New Institutional Economics (NIE) does this by presenting a framework for analysing the influence of institutions on economic exchanges and behaviours. It does not adopt the rational assumptions of the Neo-liberal Economics approach nor does it side-line the institutions which are the focus of this study. The argument in this study is that it is not useful to apply the term ‘rational’ to (economic) behaviour, certainly not in the sense used in Neo-liberal Economics. Behaviour can sometimes be imitative or habitual (Greif, 2006). Even when it is rational, ‘rationality’ could mean different things to different people (Ensminger, 1996). The interests, even the vested ones, could vary and not be limited to just economic interests. They could be cultural, ideological and/or political. It is therefore important to understand the local ethos when analysing economic behaviour: what the local people perceive as constraints, and the incentives that motivate them. NIE is a way of studying economic phenomena without assuming (neo-liberal economic) rationality.

NIE “...eschews the generalised analysis of markets enshrined in neo-liberal economics in favour of an approach based on the analysis grounded in specific times and locations” (Clapham, 2012). This line of argument is especially suited to housing analysis as “...in real estate and construction, the assumption (related to the broad functioning of markets) is

⁵⁵ Also see Tan (2001), McNelis (2014) for a comparable classification of various perspectives on housing studies.

⁵⁶ See Clapham (2012); Needham (2012); Gibb (2012); Lawson (2012); Rakodi (1992); Ball (2006); Ball (1998); Aldrich & Sandhu (1995); Ball (1983); Ball & Harloe (1992); Bhattacharya (1990); Willis & Tipple (1991); Kemeny (1992); Pugh (1990); Payne (1977); Gilbert (1985); Orville (1976)

more circumspect because of the degree of variety that can be observed. This does not mean that it is impossible to apply common forms of analysis to them but it does mean that the phrase ‘in this context’ can be more important than usual” (Ball, 2006).

3.2 NEW INSTITUTIONAL ECONOMICS

NIE finds its pioneers in Ronald Coase, Douglass North and Olivier Williamson, whose works led to a new format of inquiry and analysis into the way that the effect of institutions on the market and actors are acknowledged in economics. NIE began with two premises: “1) that theoretical framework should be capable of integrating neo-classical theory with an analysis of the way institutions modify the choice-set available to human beings; and 2) that this framework must build upon the basic determinants of institutions, so that we can not only define the choice set really available to people at any time, but also analyse the way in which institutions change and therefore alter the available choice set over time” (North, 1986). Going beyond the proposition that institutions matter, NIE demonstrates wherein institutions are susceptible to analysis (Williamson, 2008).

The focus is on the understanding and prediction of the determination of prices, outputs, and income distributions in markets through supply and demand as in the case of neo-classical economics, with one major difference. Institutions in NIE are intrinsic to the process, unlike neo-classical economics where they are “largely ignored” or only introduced on an ad hoc basis (Needham et al, 2010).

North (1986) identifies three building blocks in NIE – Institutions, Transaction Costs and Property Rights – which are elaborated below.

3.2.1 INSTITUTIONS

Institutions are “the rules of the game: the humanly devised constraints that structure human interaction” (North, 1993). Hodgson (2006), clarifying that the word ‘Institution’ is used widely in many disciplines and its meaning has many connotations, defines it as: “systems of established and prevalent social rules that structure social interactions”. Institutions give effect to the values and goals of a society.

Why does society need institutions? Social institutions in NIE were viewed in terms of “their capacity to satisfy the functional needs of the community (Knight, 1992)”. North (1990) says that they reduce uncertainty by establishing a stable (not necessarily efficient)⁵⁷ structure to human exchange.

Why do these institutions continue to exist even when they are not serving any ‘utilitarian’ purpose of increasing efficiency? Hodgson (2006) answers: Institutions are durable because

⁵⁷ North here was responding to Demsetz, who posited that institutions evolve so as to produce conditions for steadily increasing economic efficiency. North disagreeing with Demsetz, clarifies that vested interests can prevent movements towards greater economic efficiency.

they can usefully create stable expectations of the behaviour of others. By imposing form and consistency on human activities, institutions both constrain and enable behaviour.

Individuals may conform out of fear of loss of reputation from disobedience. In such a system, potential dissenters may fear that their opposition is doomed to failure, and thus failure to challenge the system becomes a self-fulfilling prophecy. A similar self-reinforcing mechanism for the persistence of institutions may be in operation when path-dependent processes are important. This is recognised in the literature of the history of technological innovations especially when there are increasing returns to adoption of a particular (technological or institutional) innovation – i.e. the more it is adopted the more it is attractive or convenient for others to join the bandwagon on account of infrastructural or network externalities, where a path chosen by initial adopters to suit their interests may “lock-in” the whole system for a long time (Bardhan, 1989).

Institutions can be both formal and informal. Some institutions get formally institutionalised into written rules and organisations, such as those included in the formal legislation governing the production, exchange and consumption of a product (in this case housing). Informal institutions could be social norms like caste and class divisions which organize a particular society and determine the housing patterns. These are some examples of societal norms which have economic implications and influence economic choices, not necessarily in a ‘rational’ manner.

Formal institutions are easier to change than informal, as they involve mostly ‘political will’. Informal institutions are “self-enforced, in the sense that no external authority is available to guarantee that social actors will follow them” (Knight, 1992). They are self-stabilised, decentralised and hence deep rooted, and changing them may involve behavioural change. If and when the formal institutions are weak (such as ambiguous rules, job descriptions or terms of reference) informal institutions are relied upon to extend that understanding. Ensminger (1997) reveals the reconciliation or ‘fit’ between formal and informal institutions as the key to the success of a public policy. She makes her point by providing evidence from Africa (Kenya) where kinship determined land rights and ‘altering property rights meant re-defining social relationships’. Therefore, it is important to understand the context in which institutions operate before making any policy recommendations.

Conformity to the rules of the game, or compliance, is of two kinds; one, citizens’ compliance is sought through tangible, immediate incentives and penalties associated with following or breaking the law. Increasing the severity and certainty of punishment, and creating a clear system of incentives is considered an effective way to increase compliance. The second kind of compliance is where a citizen voluntarily obeys the law, irrespective of rewards/gains to be made by following the law, or punishment to be risked for breaking the law. This type of commitment is further categorised into two kinds:

personal morality and legitimacy. Personal morality is where a person complies because he feels the law is just. Compliance due to legitimacy is where a person obeys the law because he feels the enforcing authority has the right to dictate behaviour. The risk with personal morality is that compliance is based on personal sense of fairness and justice, so if the lawmakers change the law, a perceived injustice can lead to breaking the law. The risk with legitimacy is when citizens commit atrocities against others because they believe in the legitimacy of their government and feel obliged to obey their command (Tyler, 2006). Often, compliance is due to a combination of the many factors mentioned above.

When the focus is on people's internalised norms of justice and obligation, the need is to explore what citizens think and to understand their values. By contrast, when compliance occurs in response to external factors, the focus is on the extent and nature of the resources that authorities have for shaping public behaviour. The public resources available for policing and enforcement are always limited, so legitimacy needs to be won.

This requires that rules and the policies are in keeping with what the members of the society⁵⁸ consider just and fair, and that the institutions safeguarding it are trustworthy. However, if the authority is corrupt and policies are implemented ignoring cultural preferences (or, as in some cases, if they are a colonial inheritance), evasion become commonplace. A natural outcome to this is a complex regulatory system with high enforcement costs.

3.2.2 PROPERTY RIGHTS

Property rights are the rules governing the use of resources (Ensminger, 1996). "What is exchanged among parties is a bundle of rights that measures various attributes of the good and services exchanged (North D. , 1986)."

It is important to recognize that 'rights' are the product of the 'rules' and thus not equivalent to the rules. For every right an individual holds, rules exist to authorise how to exercise it. If one individual has a right, someone else has a commensurate duty to observe that right which defines the actions the individual may, must, or must not take in relation to another's property (Ostrom & Schlager, 1996).

Property Rights, as used in NIE is a broad concept. It is wider than the legal concept of property rights, and includes social norms (Eggertsson, 1990). Categorising⁵⁹ it as follows, Eggertsson (1990) provides instances where two or all three of the categories can blend -

1. The rights to use an asset, including the rights to transform physically or even destroy an asset,
2. The rights to earn income from an asset and contract over the terms with other individuals,

⁵⁸ There might be considerable dissent among the members of the society.

⁵⁹ Based on the ancient Roman property law principles (usus, fructus, and abusus).

3. The right to transfer permanently to another party ownership rights over an asset (e.g. to sell or donate).

It is the value of the rights that determines the value of what is exchanged (Demsetz, 1967) therefore restriction on rights that shrink the set of permissible uses will lower the economic value of an asset (Eggertsson, 1990). The value of the right depends also on the enforcement characteristics. The cost of enforcing these rights is reduced when the social norms coincide with the basic structure of the rights that the state seeks to uphold (ibid). Government must play an essential role in enforcing contracts. Therefore, NIE must not only be a theory of property rights, but also include the political process, the state, and the way in which institutional structure specifies and enforces property rights (North, 1986).

3.2.3 TRANSACTION COSTS

Allen (2000) and Williamson (1993) credit Coase's 1937 paper, *The Nature of the Firm* for introducing the concept of transaction costs, though he did not use the term. The term was coined by Kenneth Arrow (1969) in 'The Organization of Economic Activity', and he used it to distinguish transaction costs (from production costs) as the cost of running the economic system. North (1990a) gives a different definition; he recognises production costs as 'the sum of transformation⁶⁰ and transaction costs', where transaction costs relate to "capital involved in defining and enforcing property rights over the good (the right to use, to derive income from the use of, to exclude others, to exchange) known as the transaction function". For Williamson (1993) it is the costs associated with the governance of contractual relations. Though over the years there have been many definitions, there is no theoretical consensus on what constitutes transaction costs. Allen (2000) after an exhaustive literature review narrows it down to two categories:

Transaction Costs #1: The costs of establishing and maintaining property rights – the costs of policing and enforcing agreements, while implicitly recognizing the threat of appropriation or theft.

Transaction Costs #2: The cost resulting from the transfer of property rights – costs in an exchange – because parties to exchange must find one another, communicate and exchange information. There may be a necessity to inspect and measure goods to be transferred, draw up contracts, consult with lawyers or other experts and transfer title.

Compliance with a complex system of regulations in a bureaucratic set-up with low enforcement increases both kinds of transaction costs (#1&2). This makes the system inaccessible and prohibitive to all but a few privileged groups (Berner, 2001). According to the transaction costs school, institutions that evolve to lower these costs are the key to the performance of economies (Bardhan, 1989).

⁶⁰ 'Capital involved in transforming the physical attributes of a good (i.e., its size, weight, colour, location, chemical composition)'

3.3 CONSTRUCTING THE HYPOTHESES

This study explores why the formal private sector does not cater to the AH market in Raipur. The usual answer - that it is not sufficiently profitable - ignores the institutional structure of markets and how they affect the market outcomes. Therefore, an alternative theoretical approach was taken: if the institutions were different, it is possible that the market outcomes would be different.

Hence, the hypothesis: *Existing institutional arrangements act to prevent the emergence of AH market in Raipur.*

Many actors and institutions arranged in a particular structure lead to a particular outcome. The structure connects the institutions to the actors. The arrangement can be deliberate or accidental; often it is a combination of both. Therefore, the outcome can also be mixed – part purposeful and part unintended.

Unintended outcomes can be desirable; the actors eventually become aware of the function an institution serves for them and then consciously maintain it, even though it originally came into being unintended. Correspondingly, many purposeful institutions can become less than desirable because of the ‘butterfly effect’, which means that a seemingly slight variation at the beginning may result in an entirely different outcome (Bardhan, 1989).

The process by which institutions and actors form a reasonably coherent structure and gain formal acceptance or cultural persistence is called Institutionalisation (Zucker, 1977). Institutionalisation signifies some permanence to the structure, some resistance to change. It is necessary to understand all the relevant institutions in interaction, in order to understand the outcome. Ergo, in order to alter the outcome, the proposed change must take account of those interactions. As a corollary, there is a need to examine each actor involved in the process, the different interests they represent and how they all influence each other and the outcome.

This study therefore draws upon Michael Ball’s (1983) ‘structure of housing provision’ (SHP) framework for analysing the effect of institutions on housing markets. This posits that - there is a coherent structure of institutions regulating housing provision. The study, therefore, puts forward an additional hypothesis: *the institutions and actors involved in the process of housing provision in Raipur interact with each other, with the implication that changing one institutional factor would lead to other institutional changes, with uncertain consequences.*

3.4 THE SHP

An analysis using SHP⁶¹ entails elaboration of the role of each actor and the processes involved. Therefore, an SHP has to be defined empirically – which institutions and relations should be included and which distinctions are unimportant and can be ignored, depend on the questions being asked, which are considered a matter of researcher judgment (Ball, 1998).

Figure 3.1 represents the various actors in a typical market SHP. However it does not represent the relation between the various actors and how they interact. According to NIE, the coordination between various actors is achieved through institutions that govern their interaction.

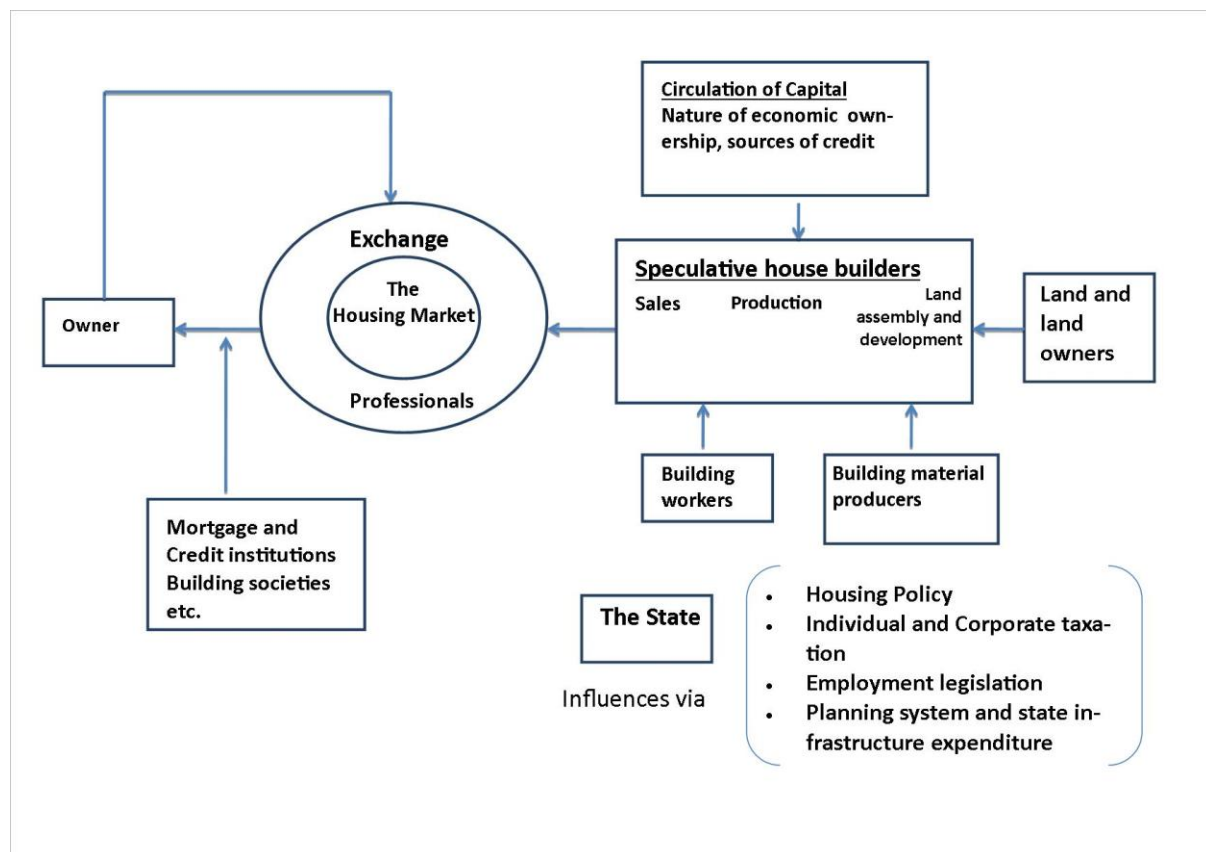


FIGURE 3.1 THE STRUCTURE OF OWNER OCCUPIED HOUSING PROVISION (BALL, 1983)

The provision thesis (Ball, 1983, Harloe & Martens, 1984) was a reaction to what was then seen as an “overemphasis on policy analysis and relative lack of attention to housing market processes” in the international housing studies (Harloe & Martens, 1984). This latter was termed as ‘*consumption oriented approaches*’ by Ball and Harloe (1992) and as ‘*atheoretical housing research*’ by Kemeny (1987).

⁶¹ A comparable model is the Structure – Agency Institutional model (Healey 1992, Healey and Barrett 1990). This model defines structure and agency as two separate entities which merge at times, which makes it a rather complicated model for analysis. Hence a simpler model which does not call for such difference is the Structure of Housing Provision. On the other hand, in the structure – agency approach, the possibility is held open that an agent can choose to act differently than how the structure prescribes. That is, that the agent has some freedom of action. The SHP does not take that into account.

In order to understand the formulation of this thesis, it must be placed within the Marxist discussion which was strong at that time. Ball (1983) argues that housing analysis “must be based broadly in the Marxist problematic of historical materialism⁶²”. For Kememy (1987), research which focuses “only or disproportionately, on narrow political processes must necessarily be superficial and inadequate”. However, he acknowledges that among theories seeking a grounding of housing analysis in Marxist theory, “Ball’s formulation...is probably the best known, and certainly the best developed” (Kememy, 1987) because, housing provision is a much broader concept than Marxist concept of ‘production’. Along with house-building and land/property ownership, it includes housing finance, the role of exchange mediators such as estate agents and solicitors as well as state housing management function (ibid.).

3.5 LIMITATIONS OF USING SHP AND NIE FOR THE STUDY

SHP does not constitute a complete theory in itself; rather it is a methodological theory – about how to examine institutions and their roles. Other theories are needed to understand particular research questions within its framework (Ball, 1998). This issue has been addressed by employing NIE which provides the main theoretical perspective.

NIE has some inherent characteristics which affect this study. In order to comprehend the institutional effects on the market, one needs to make a very detailed study. Such studies can then be used to understand and predict the effect of changes to that particular market. The effects however might not be generalisable to other seemingly similar markets (Needham et al., 2010). This is in keeping with the idea that “explanations in the social sciences should be organized around (partial) *mechanisms* rather than (general) *theories* (Elster, 1994)⁶³”. There might not be a general theory, but a number of *partial* theories which will explain and predict better than theories which ignore institutions (Needham et al., 2010). While we expect that there will be certain lessons learned (especially in terms of theoretical and methodological contribution) which could apply to a wider geographical scope, we accept that this study is limited because of its focus on AH provision in Raipur.

⁶² Historical materialism is a methodological approach to the study of human societies according to which the society’s organisation and development is fundamentally determined by its modes of production.

⁶³ “Arguing and Bargaining in Two Constituent Assemblies,” unpublished manuscript, remarks given at the University of California, Berkeley as cited in (Williamson, 2008)

4. INSTITUTIONAL CONSTRAINTS TO FORMAL AH MARKET

4.1 INSTITUTIONS = RULES OF THE GAME

Most countries have a housing problem in some form⁶⁴, and all nations, regardless of their orientation towards free markets or central planning, have adopted a variety of housing policies. The production, consumption, financing, distribution, and location of dwellings are controlled, regulated, and subsidised in complex ways. Compared to other economic commodities, housing is perhaps the most tightly regulated of all consumer goods (Hårsman & Quigley, 1991).

Even radical proponents of a minimalistic state concede that the market mechanism cannot by itself set all the rules of the game. It does not bring about the preconditions for its own functioning, such as rule of law, guarantee of private property, or contract enforcement. Another need for regulation arises because informal consensus about what the rules of the game are, does not guarantee how they are interpreted in specific cases (Berner, 2000). Institutions structure behaviours and exchanges in markets, they therefore often serve as a constraint in such markets. However, in addition they can stimulate actions by providing predictability. The next section will analyse how institutions constrain the provision of AH.

4.2 INSTITUTIONS DETERMINING THE RESOURCE ALLOCATION

Resources in a society can be distributed through various mechanisms. They can be political, bureaucratic, a market distribution, or a mix of these. For example: Needham and de Kam (2004) illustrate how Dutch housing associations choose to acquire land through the mechanism of mutual trust when there is a network in place which they can use, and to acquire through the market when that mechanism is not available.

Institutions are often created to serve the interests of those with the bargaining power to create new rules (North, 1993). Therefore, in order to understand the process of resource allocation, it is important to understand the concept of *bargaining power*. Individuals in a society have different levels of skill and access to information and other resources, and this determines their unique position in the society. However every individual is dependent on others for operating within the society. In order to be in a bargaining position, the party must have something to offer that the other party wants⁶⁵; bargaining power is therefore the exploitation of asymmetrical interdependence leading to a mutually beneficial economic relationship (Wagner, 1988). The particular outcome of a bargain depends on the objective of the exchange. The general outcome of a bargain is that both parties involved are in a better position, however largely or slightly, than before the bargain.

⁶⁴ Even if not of the same magnitude or nature, relating specifically to people on low incomes gaining access to adequate housing.

⁶⁵ In case of the urban poor in India, democracy offered them a right to vote which they often use in a bargain, to exchange for favours.

Bacharach & Lawler (1981) state: power is the essence of bargaining, the “pivotal construct for a general theory of bargaining” determined by the bargaining position. One could be in a better bargaining position because of various vantage points like better information, better bargaining skills, or less need than the other party⁶⁶.

Examining the current mode of allocation in AH allows the study to investigate whether a market would allow a larger number of households to have access to decent housing. In India, AH serves the client-patron relationship⁶⁷ and is conspicuous on the political agenda. Thangavel (1998) discusses the DMK⁶⁸ government using housing as a political manoeuvre, and giving free homes to a section of the population (in exchange for votes) which led to big expectations and dependency syndrome, creating undue burden on later projects as people were reluctant and unwilling to pay the instalments.

Joop deWit and Berner (2009) find incidence of brokerage and patronage so ubiquitous in India that they call it ‘institutionalised mediation’ - a function of a lack of resources or services; access problems to agencies and institutions; and finally a lack of enforced impersonal rules for the allocation of resources.

“There is evidence indicating that the urban poor prefer to rely on vertical patronage...based on the experience that investing in collective action is problematic, time-consuming and fraught with free rider problems. In contrast, using an intermediary or broker is perceived to increase the chance of obtaining a service or gaining protection against a threat. This calculation is obviously valid in the case of private needs and services such as shelter, jobs, credit. But even in the case of ‘public goods’ and collective services (paved alleys, piped water, public toilets, street lights) the poor usually have more faith in contacting intermediaries and politicians than in organising rallies to voice their demands or collective projects to meet their needs themselves. The skepticism of the urban poor with regard to collective action is confirmed by the glaring mismatch between the supply and demand of services critical to them, which in many cities is exacerbated by new demands created by rural-urban migration. The system benefits the political and city elites in two ways: they are able to influence the poor with a view to obtaining their votes, while the poor are constrained from organising as a group or movement as they focus on individualised and fragmenting vertical strategies....the consequence is a ‘Faustian bargain’, a discounting of the future in favour of...the present”, that contributes to the status quo (deWit & Berner, 2009, p.928-929).”

If “asymmetries in resource ownership serve as a proxy for bargaining power” (Ensminger & Knight, 1997), then lack of resources and collective action would place the party concerned

⁶⁶ In general, since a player who is poor is typically more eager to strike a deal in any negotiations, poverty (by function of a greater need) adversely affects bargaining power. Although both parties would be made better off by the agreement, the rich party will become relatively more better off, which would thus increase income and wealth inequality between the two parties (Muthoo, 2002).

⁶⁷ Mahadevia, Joshi, & Sharma (2009); Baken (2003) among others.

⁶⁸ Dravida Munnettra Kazhagam, a leading political party in south India

in a deprived bargaining position, leading to alternate forms of bargaining such as institutionalised mediation and patronage. These patron-client institutions are not completely authoritative and still represent an element of reciprocity as “the power imbalance is not so great as to permit a pure command relationship” (Scott, 1972). Gangopadhyay and Nath (2001) agree, as they assess the performance of local governments and find that group dominance and bargaining “frustrates local expenditure efficiency” in urban localities of India.

North (1993) emphasizes the political process as a critical factor in the performance of the economies; whereby individuals and organizations with high bargaining power as a result of the institutional framework have a crucial stake in perpetuating the system.

In the light of the above, one may ask whether a market⁶⁹ alternative when compared to the existing allocation mechanisms (political/bureaucratic/clientelist) would increase the provision of AH. The problems of market failure are well known and emphasized by those who favour bureaucratic allocation of resources. However, when political decisions are dominated by interest group politics, bureaucratic allocation can advance private rather than public concerns (Libecap, 2008).

4.3 INSTITUTIONAL CONSTRAINTS

In order to test a market alternative, the first step would be to examine factors that are stopping a formal housing market from coming together. Of these, constraints created by man-made rules are referred to as Institutional Constraints. Such rules could be explicit, made by the state/government, or implicit such as those enforced by culture or societal norms. These may constrain the market in varying degrees, however, the government may or may not be able to address them depending on how they influence other sectors (e.g. lowering the taxes may stimulate the market but reduce the revenue for the government). The existing literature on institutional constraints on housing markets focuses on: Transaction costs, Property rights, Credit and mortgage, Land supply. Each of these is discussed below with reference to housing in developing countries.

4.3.1 PROPERTY RIGHTS

Establishing private property rights with secure tenure, effective and efficient title systems is not an easy task. It requires careful and deliberate land planning, with suitable land titling and property registration systems managed by an effective administration capable of enforcing them. Each of these requirements poses a challenge in the developing countries. While secure property rights reduce the transaction cost, with such large percentages of urban residents living in the informal settlements in India and other developing countries, establishing secure tenure can be a very expensive process.

⁶⁹ By market alternative, the reference is to a market that is facilitated by the state, rather than the concept of “free market”. Such a market would facilitate individual autonomy in terms of having a choice to be able to buy a dwelling if he/she has the means to afford it. Currently, the ability of a EWS/LIG household to buy a formal dwelling depends on a lottery allotment, which if the household were to win is then allowed to buy that housing.

These rights can be formal (i.e., captured in constitutions, statutes, or regulations) or informal (i.e., norms of behaviour). So long as people respect them, both formal and informal property rights can work effectively⁷⁰. However Boudreaux (2005) cautions that there is a very real risk that reforms enacted in the name of property rights will fail if policy makers employ the rhetoric of property rights (such as giving away titles), but do not weigh how property rights function in the real world.

4.3.2 TRANSACTION COST

If the cost of transaction is too high, such that the production costs plus transactions costs are higher than the sale price of the commodity, a market cannot operate⁷¹. In housing, slums and squatter settlements represent such a breakdown. Quoting from UNCHS statistics, Berner (2000) mentions that in the large cities of the developing world, between 30 to 70% live in irregular settlements and nearly 85% of the new housing stock is produced in an extra-legal manner. Here we examine how high transaction costs might be affecting the system.

Blaming “an outmoded system of legal property”, De Soto (2000) found that grassroots property arrangements “openly contradict the official written law”, which his research claims is because the “written law is not in harmony with the way their country actually works”. His research in several developing countries established that the obstacles to entering the legal property systems are so daunting and expensive that few could ever make their way through the red tape.

“To obtain legal authorization to build a house on state owned land [in Lima, Peru] took six years and eleven months – requiring 207 administrative steps in 52 government offices. To obtain legal title for that land took 728 steps (De Soto 2000, p.18).”

Property owners in India often resort to strategies, such as, evading registration or using long-term leases, transfers under court decrees, and cooperative housing, to avoid property tax. Because of such practices, approximately 90% of the total time spent on registering property in India⁷² is spent in verifying that the property is free of dispute. Moreover, according to the report, for the remaining 10% (approximately) of the time, one would have to spend 55 days and 10.6% of the property value, and complete 5 procedures to register (transfer) the property under one’s name. The report mentions “backlogged case-loads” and “lack of staff” as the main causes of delay. The costs⁷³ include stamp duties accounting on average for 70% of all costs incurred⁷⁴, registration and legal fees, and payments to the

⁷⁰ However, “if private property rights are not viewed as being legitimate or are not enforced adequately, de jure private property becomes de facto open access” (Feder & Feeny, 1995).

⁷¹ It will begin with several transactions being perceived as ‘too costly’ that do not take place. Over the years, the system will either revamp itself, or result in a system failure.

⁷² Average for the cities sampled by the study.

⁷³ Does not include the time taken; time taken was separately calculated as number of days.

⁷⁴ The stamp-duty varies from 12.5% of the property value (Kochi) to as low as 3% (New Delhi). It is 4.8% in Mexico.

brokers (World Bank, 2009). Registering the land is only the first of several steps to be taken before the builder gets the building permission.

Mahadevia et al. (2009) highlight similar issues in the supply of land for government agencies in India, where, in most cases, the land is under litigation, and clearance for land acquisition cannot be obtained easily. By the time the clearance certificate is available, the costs of construction would have increased and the rates on which the tender was awarded would be outdated. Such instance of land having numerous apparent owners is not unique to India. De Soto (2000) reports (p.94), that only 7% of the land on the Indonesian archipelago has a clear owner, and that this leads to a flourishing trade in both genuine and forged certificates.

With the global interest focussing on emerging markets, the World Bank had started rating the developing countries on the ease of doing business in the country. The rating is based on the number of steps involved, and days it takes to complete processes, such as, starting a business, dealing with construction permits, registering property, getting credit, paying taxes, enforcing contracts. In 2014, India was ranked 134 among a list of 189 countries, which indicates that the transaction cost in terms of the time and resources spent to get through the bureaucratic steps is considerable. After corruption and bribery (which have not been accounted for in the WB report) are factored in, the system is simply not feasible for the urban poor.

4.3.3 CREDIT AND MORTGAGE

The urban poor need a mortgage to be able to buy a house and the current Housing Finance System in India⁷⁵ does not extend the credit market to serve the poor. The efforts at making housing finance available for low income groups through the Non-Governmental Organizations (NGOs) and other Community Based Organizations (CBOs) have not been very successful (NHB, 2006) largely because they are still restricted to those who have the required documents, such as government employees.

Peer Smets (2002) in his article *'Indian Housing Finance Alliances and the Urban Poor'* discusses the various options⁷⁶ that the urban poor in India have for Housing Finance. All of these are based on principles of Micro-credit⁷⁷ which encourages beneficiaries to organize themselves into community associations. Micro-credit associations can then apply for a loan to a government body. The applications are supported by an NGO, unit of local government, or national housing agency as the case may be. These organizations need to provide a

⁷⁵ See NHB Report on Trends & Progress of Housing in India, 2006 for details on the Housing Finance system in India and their Lending Norms.

⁷⁶ Some of the prominent models Smets discusses are – 1) Housing Finance Model of SPARC/NSDF/MM Alliance, 2) Igel and Srinivas (1996) model for delivery of credit to squatter settlements in Bangalore, 3) Dharavi Scheme in Mumbai, 4) Down-marketing of Housing Finance through Scaling up. Along with these there are various other schemes of credit for housing the urban poor that were studied as part of the literature review – the Urban Community Development Office (UCDO) scheme in Thailand, Community Mortgage Programme (CMP) in Philippines.

⁷⁷ They might also secure private loans, however such loans are usually short termed and have a very high interest rate (see Chapter 6 for details).

guarantee for the loan, and take responsibility for ensuring that documents are in order and that repayments are punctual.

If savings groups are supported to learn from each other (through community exchanges), there is a good chance that “networks develop, creating stronger, larger groupings of the urban poor with a greater capacity to negotiate with external agencies and develop a common fund” (Boonyabancha, 2001). However, micro-credit is built on the principles of group dynamics and therefore often not very sustainable due to ‘natural’ tensions between group members (which can affect any group) (Bowden, 1990). Community building, he continues, is negatively affected by other factors also, such as, high turn-over of field workers from the facilitating NGOs, too much direct assistance given, lack of consensus about methods that enforce cohesion and sustainability, big role of charismatic leaders, and/or problems in generating self-help decision making capabilities. Smets (2002) adds that relatively small loans also require larger overheads.

Another point of concern, when the government guarantees the loans for the poor, is that debts will be written off as a political favour, a common practice in India⁷⁸. There is a tendency that borrowers will anticipate this and thus not repay the credit⁷⁹.

4.3.4 LAND FOR LOW INCOME HOUSING

Availability of land is one of the biggest institutional constraints in the supply of AH⁸⁰. In Chhattisgarh, AH is provided mainly by the government. If the land identified is public land, government can allot it to CGHB. If the land is private, in the normal course, the land is acquired (by compulsory purchase) by the District Collector⁸¹ under the Land Acquisition Act and then allotted to CGHB, who pays for it. Under special schemes⁸², the power to grant land is delegated to the District Collector to shorten bureaucratic procedures. When the Collector grants the land, change of land-use is automatic. CGHB does not buy land directly from private parties. For Urban Local Bodies (ULBs), the biggest source of land is 15% ‘shelter-less quota’⁸³ in the Municipal Law.

The literature on land in India⁸⁴ discusses extensively pro-poor land policies, tenure security, titling, and land rights, which if addressed may help in making land available for AH. Even if the private builders were willing to provide affordable dwelling, acquiring land would be difficult. Considering the rents which the tenants can pay, or the sales price for AH, in relation to the construction costs, the providers can afford very little for the land. So, while competing for land, AH providers will either get no land or only the land under unattractive

⁷⁸ See Press Trust India (2012); Prasad (2014); Express News Service (2014); Aiyar (2008)

⁷⁹ This is a moral hazard issue where the banks do not have as much information as the borrower; and the borrower does not have a reliable guarantor.

⁸⁰ See Needham & de Kam (2000); Robert-Jan Baken (2003); Kirk (2002)

⁸¹ Administrative head of a district in India

⁸² Deendayal Awas Yojana in CG

⁸³ Shelterless would be a literal translation of the Hindi equivalent

⁸⁴ See Payne (2000), Bhadra & Brandao (1993), Atuahene (2004), Benjamin (1999), Barman, Sharma, & Dey (2006), CEPT, MHUPA-GOI (2010)

conditions, which others do not want (Needham & de Kam, 2000). In other words, according to the theory of land price determination, the price of land is determined by the price that developers will be prepared to pay for land for the development of the most profitable type of housing. If development of land for AH is less profitable, then it follows that it will not be possible for those seeking to provide AH to compete in the land market without subsidy or some special provision with regard to planning.

A reassuring point, reiterated by a few housing experts⁸⁵ is that “not more than 2-3 per cent⁸⁶ [of the total city’s] lands are required to house the existing slum dwelling population in the major metropolitan cities of India” (CEPT, 2010). The report (2010) emphasizes that the land supply to the poor is more an issue of appropriate land management tools.

Inclusionary zoning (IZ) requires developers to make a certain percentage of housing units in new residential developments available to low income households. In return, developers receive non-monetary compensation - in the form of density bonuses, zoning variances, and/or expedited permits - that increases profits. By linking the production of AH to private market development, IZ expands the supply of AH while dispersing affordable units throughout a city or county to broaden opportunity and foster mixed-income communities. Some IZ programmes are mandatory, while others are voluntary or incentive-driven (Policy Link, 2003). Some jurisdictions allow off-site construction or for developers to pay a fee in lieu of building a below-market unit, but the intent of inclusionary zoning is to have the below-market units “included” among the market-rate units (Powell & Stringham, 2005).

⁸⁵ Mahadevia (2009) India Poverty Report, section “Land Requirement for Slum Free Cities”. Her extensive study included 25 major cities in India. Except Mumbai, the study claims, in all other cities, the arithmetic of land for rehabilitation of existing slum dwellers accounted for less than 2-3% (in most cases and less than 5% in all cases) of the total land of the city.

⁸⁶ This is because most slums in India have developed as an urban sprawl. They are not multi storied dwellings and therefore have low densities even when people are living in cramped housing.

5. DEMAND FOR AH: PERSPECTIVE OF THE URBAN POOR

5.1 INTRODUCTION

This chapter reports the results of the survey conducted in the slums of Raipur, as part of the fieldwork and focuses on: 1) how much the EWS/LIG can spend on housing and 2) what in their opinion constrains them from converting their money into effective demand. The data provides an insight into their present living conditions, their households, neighbourhood, and their housing arrangements. It also provides an assessment of their housing needs, their attitude towards their political representative, the government programmes, and their reasons for staying in the slums. The survey based evidence is presented together with anecdotal and personal accounts of the slum dwellers gathered through the informal discussions.

5.2 FIELDWORK

Raipur is divided into 8 Zones and 70 wards. According to the most recent data (2009, projected) from the Raipur Municipal Corporation (RMC), there are approximately 282 slum pockets in Raipur with a total population of about 500,000 or 65,000 households [see appendix 5.1 for details].

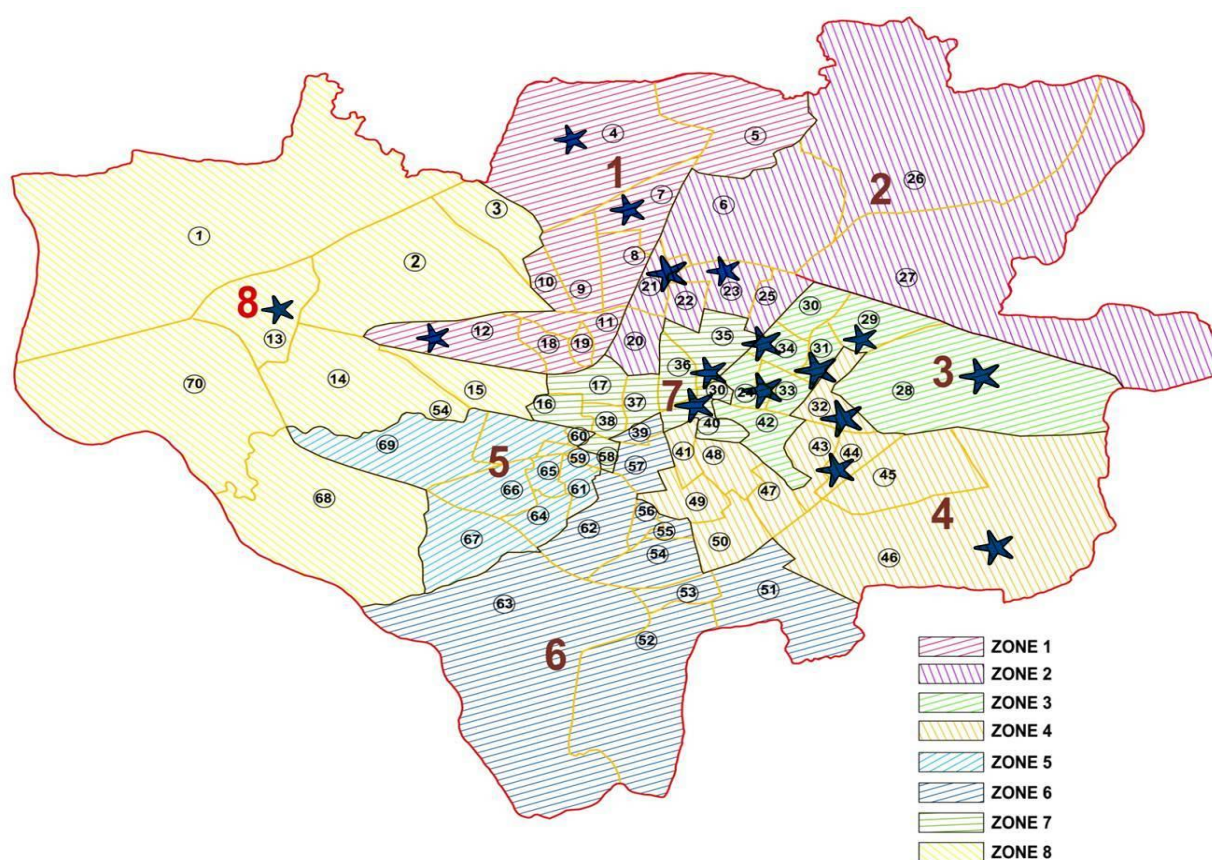


FIGURE 5.1: MAP OF RAIPUR (ZONES)

The fieldwork was divided into three phases of approximately 3 months each. In the first phase there was time to survey 200 hh. In one day about 10 households in one slum could be interviewed, so about 20 slums were chosen. The selection was made by using personal contacts (see below). This study interviewed 211 households from 21 slums spread across 16 wards of the Raipur Municipal Corporation area. The Table 5.1 lists the slums surveyed.

TABLE 5.1: LIST OF SLUMS SURVEYED

S.No	Zone	Ward	Locality	Ward
1	1	4	Gondwara	Yativatanlal Ward
2	8	13	Veer Shivaji Nagar	Bhagat Singh Ward
3	1	7	Srinagar	Veer Shivaji Ward
4	2	21	Jagrutee Nagar	Raman Mandir Ward
5	2	23	Kali Nagar, Fafadih	Rani Laxmi bai Ward
6	3	31	Gorkha Colony	Shanker Nagar Ward
7	3	34	Behra Colony, Pandri	Guru Goving Singh Ward
8	4	32	Meera Nagar	Veer Narayan Singh Ward
9	4	32	Bhola Nagar	Veer Narayan Singh Ward
10	3	29	Bजारंग Chowk, Satnami Gali, Khamardih	Subhash Chandra Bose Ward
11	4	46	New Durga Nagar, Behind Ashoka Millenium	Rajendra Prasad Ward
12	3	28	Durga Nagar, Khamardih	Maharishi Valmiki Ward
13	3	28	Bhawna Nagar, Khamardih	Maharishi Valmiki Ward
14	4	44	Ravigram, Telibandha	Guru Ghasidas Ward
15	4	44	Railway Colony, Telibandha	Guru Ghasidas Ward
16	3	29	Shakti Nagar	Subhash Chandra Bose Ward
17	1	12	Krishna Nagar, Mahant Talab, Kota	Shahid Manmohan Singh Bakshi Ward
18	7	40	Mantralay Parisar	Babu Jagjeevan Lal Ward
19	3	33	Shanti Nagar	Lal Bahadur Shashtri Ward
20	3	30	Gandhi Nagar	Kalimata Ward
21	3	31	Shanker Nagar	Shanker Nagar Ward

The slums differ in geographical location and therefore in their access to various amenities. Though most slums have mixed groups, some slums are divided on the lines of occupation [such as ironsmiths in Lohar para] and/or on the basis of where they migrated from [Orissa, Madhya Pradesh, or are local *Chattisgarh*], as people from the same caste tend to reside together. In order to reduce the anomalous effects of such systematic differences, the data was collected from different slums rather than 211 households from one slum or one ward. The stars in Figure 5.1 represent the 16 surveyed wards. Because the city officials advised against entering the slums without a resident serving as a guide, I sought the help of friends and acquaintances living in various parts of the city to introduce me to their house-help, who would then introduce me to their neighbourhood. Once the introductions were made, I

was usually treated as a guest, and was offered either tea or lemonade. Sometimes, I would be called an acquaintance, an old school/college friend of their employer. It was easy to get an audience this way, and it gave me a chance to explain the objectives of my survey. In almost all groups, some would question and indulge me in endless banter about their lives, and others were more silent, and wary about my presence. To break the ice, my guide would sometimes refer to my son and say that he is only three years old but talks in English, and does not understand much Hindi. This, I noticed, would often help to convince the sceptics that I was not working with either the local government, or employed by the builders. After I had explained the objectives of my study to the group that had gathered, I would request them to answer as honestly as possible. I would also inform them that the survey would be conducted one household at a time. In most places, the gathered group did not see much point in my asking the same set of questions to different households over and over again. They would tell me that it was a small community where everyone knew about each other and they could answer my questions about any particular household, without my having to interview the households' separately. I would politely decline their help, and tell them that it was important for me to know the particular views of each family and to interview them in the privacy of their home. On an average day, I would be able to survey 10 households, and as I prepared to leave the slum, I was sometimes offered a tour of their neighbourhood, which I always agreed to. However, in most cases the families would gather again, and I would see them exchanging information about the questions I asked. We did not visit the same slum twice.

For the sampling, every third or fourth door [depending on the size of the slum] was selected, starting with the house of the person who was introducing us to the slum. Neighbours living on their street could be convinced more easily, hence it always served as the starting point. If the next randomly selected house was locked or the residents did not wish to or were incapable of responding [elderly parents/teenage children at home who unaware of the family finances], or earned more or less than the income range considered by the study, then the next house was selected, and then every third or fourth door from there on. There were approximately 20% of the households in the surveyed slums who earned more than the income range considered by the study, and were therefore not considered. The study did not come across any family living Below Poverty Line [BPL], defined by the GoI [in 2012] as earning less than Rs. 2000 per month. See appendix 1.1 for definition of EWS/LIG.

The pilot survey of 10 households resulted in slight modifications to eliminate a few redundant questions and refine others to generate more purposeful data. It also indicated the time required for filling in the questionnaire and helped plan the work efficiently. Some of the practical difficulties in collecting the data are noted below.

Challenges faced

1. Gaining access to the slums was by far the hardest challenge. Initially, the plan was to randomly select the slums from each ward; however, after an encounter with an angry mob in Dhenspara (Zone 3), we were cautioned by the authorities against going to the slum without a resident serving as a guide. Around the time that the survey was scheduled, some slums in Raipur were being cleared (land was repossessed) by the authorities and some others had received notification of eviction: this created an environment that was volatile. This unexpected situation posed a major challenge to the survey schedule.
2. Even after identifying myself as a student from the University of Cambridge, I was often mistaken for either a government officer from the municipality as part of the slum clearance programme, or a market researcher sent by the builders or CREDAI. There was an on-going slum survey being conducted by the government as part of RAY (Rajiv Awas Yojana) specifically for slum rejuvenation/clearance programme, which led to the common misunderstanding. This meant that a lot of the time, which I had not factored in, was spent in building rapport and answering questions to convince them that I was not related to either.
3. The slum community had a tendency to suppress information about their earnings. Some of the LIG households would in the beginning of the survey categorise themselves as EWS, but with more questions would reveal that they earned a lot more. They were especially unwilling to share information about any additional homes/land that they might have elsewhere. A majority were of the opinion that only those who were rendered homeless in case of slum clearance (i.e. with no second home) would be entitled to free homes. As a result they were apprehensive about sharing such information, even if it was for academic purposes.

5.3 FINDINGS

The discussion below is divided into four sections: 1) Characteristics of the residents and their current housing arrangements, 2) Needs Assessment, 3) Assessing their capacity to pay, 4) Demand Constraints.

5.4.1 RESIDENTS AND THEIR CURRENT HOUSING ARRANGEMENTS

Section 5.4.1 is further divided into 1) The Residents, 2) The Neighbourhood, 3) Land and Housing Arrangements. Sub-section 3 discusses both owner occupied as well as rental housing. Some pictures of the slums of Raipur are presented in Appendix 5.2 in CD.

1. The Residents

Of the 211 households, 94 households belonged to EWS and 117 to LIG. 63% (133 hh) of the households had 1-5 members in the family, 32% (66 hh) had 5-10 members and 5% (10hh)

had more than 10 members. 38% (81hh) had one earning member, 36% (75hh) had two, and 26% (54hh) had three or more. The following figures refer to the head of household: 17% (35hh) were self-employed, 28% (60hh) were salaried employees, while the majority 55% (116 hh) were casual labourers or daily wage earners.

The self-employed are - petty shopkeepers, small restaurant owners, wedding-band musicians, *halwari* (cooks for large events such as weddings, and other social functions), mechanics, iron-smiths, handy-men and plumbers, masons, barbers and salon owners, laundrymen, street vendors, and brokers (who arrange weddings, land and vehicle deals, settle disputes, all for a fee). 28% (60hh) are salaried employees working in both private and government sectors. Those employed in the private sector work as cashiers, drivers, security personnel, beauticians or in retail sales, while those in the public sector are employed in the police force, health department, railways. The majority 55% (116hh) were casual labourers; they worked as house help, rickshaw pullers, auto-rickshaw drivers or as construction workers.

60% (127hh) of the surveyed families had a bank account and had regular savings. 79% (166hh) of the surveyed households (including those who did not have a bank account) reported not being apprehensive about opening/operating bank accounts. Those who faced difficulties with paper work mentioned that the bank officials are usually client friendly and help them with the filling of forms and other such formalities. 40% (84 hh), who currently did not have bank accounts, reported either that 1) they had closed bank accounts and invested their savings elsewhere, or 2) had never opened one, because they did not have enough savings, or that their savings support their families (parents/younger siblings) back in the villages.

2. The Neighbourhood

Each slum neighbourhood consisted of different types of housing. Some neighbourhoods had houses built along both sides of a narrow lane, others along a railway track, while some (such as Lal Ganga Basti) had large open spaces even though it was situated right in the middle of the city. Most showed signs of municipal neglect, such as irregular trash collection, drains and streets in disrepair. However, such neglect in Raipur is not confined to the slums. Men and women sat on street corners, or under a tree or shade, talking. Women sometimes worked in groups, cleaning the food grains, combing their children's hair, while men sat in a separate group playing cards or sharing a newspaper with tea.

For the purposes of this survey, the housing structures are broadly divided into three types: Pucca (Permanent- both walls and roof made of bricks and concrete), Kaccha (Temporary – built with make-shift materials) and Semi-Pucca (walls made of bricks but with thatched roof). While *pucca* homes were relatively well maintained, most semi-*pucca* and *kaccha* had health and safety concerns. Appendix 5.3 (in CD) shows pictures of the three types of structures. The distribution of households between these types was nearly equal.

TABLE 5.2: TYPE OF HOUSING STRUCTURE

S.No	Structure Type	EWS	LIG	Total	Percent
1	Pucca	21	47	68	32%
2	Kaccha	37	37	74	35%
3	Semi-Pucca	36	33	69	33%
Total		94	117	211	100

Forty per cent (85 hh) of the surveyed households lived in two room houses, while 34% (71 hh) lived in one room houses (table 5.3). However, it was not a case of LIG families being more likely to live in two room houses than the EWS. The distribution was fairly even and based on factors such as length of stay. In most cases, the second room would be an extension to the original structure. In case of three or more rooms, usually the family would have been living there for a considerable time and would have then demolished the temporary structure and built a new, more permanent structure in its place.

TABLE 5.3: NUMBER OF ROOMS IN THE DWELLING

S.No	Number of Rooms	EWS	LIG	Total	Percent
1	One	40	31	71	34%
2	Two	41	44	85	40%
3	Three	7	22	29	14%
4	More than three	6	20	26	12%
Total		94	117	211	100

Ninety eight per cent (206hh) of the surveyed families had electricity in their houses. The remaining 2% (5hh – data negligible) used kerosene lamps for lighting purposes. These households were in different neighbourhoods, and were not all new settlers but people who had not received the '*ekal batti*' (single bulb) connection yet. These homes were often off the main locality, so the electrician from the municipality would have some technical difficulties (such as an extension in underground cable) in extending the connection to those particular few houses, or sometimes when the connection was being provided the families had gone back to their village.

Seventy three per cent (153hh) used LPG for cooking, while the remaining 27% (58hh) used firewood. The use of firewood was more common in slums of Godwara, Shivaji Nagar, Jagrutee Nagar and in some hh living in the Mantralay Parisar.

Only 15% (32hh) had access to drinking water within their house. For the rest 85% (179hh) the source was the common tube well/open well or water was delivered by tankers. Some of the slum dwellers mentioned that they lack access to drinking water pipelines so as to benefit the “lucrative” water-tanker business; where bids, according to the reporting slum dwellers, are won through political favours.

Only 37% (79hh) had their own toilet facility; 60% (127hh) had no toilets in the house and reportedly had to use open spaces. For modesty purposes, women wake up very early to relieve themselves, and this was expressed as one of the key motivations in forcing households (especially families with college going/older girls) to consider moving out of the slum. The remaining 3% (5hh - negligible) had either built shared toilets or reportedly used the paid community toilets. The households that had built their own toilets did not have a connection to the sewage system. It was therefore easier to build bathrooms, which could be connected to open drains, than toilets which need careful solid waste management. As data shows, nearly 56% (113hh) had their own bathrooms but only 37% their own toilets.

Thirty one per cent (66hh) of the surveyed houses were not connected to a drainage. For the remaining 68% (144hh), the municipality had provided a drainage system but, in almost all the cases, the drains were derelict and needed repair. None of the surveyed houses had paved roads. 30% (61hh) were connected by a *kutchha*⁸⁷ road, while the other 70% (148hh) of the houses could only be accessed on foot or in some cases by a bicycle or a motor cycle.

Sixty nine per cent (146hh) reported that they had a school nearby (within 2 miles). 68% (144 hh) reported that they had a hospital nearby. However, it was not the same set of households. For example: residents of Godwara slums are close to a school, but they did not have any hospitals. Similarly residents of Krishna Nagar (Mahant Talab) and Mantralay Parisar have a hospital nearby, but that the schools were far off.

The slum dwellers were asked an open-ended question about what they preferred/liked about their neighbourhood. Answers were later grouped into four categories (Table 5.4). An overwhelming majority did not like anything about their neighbourhood. However, nearly 12% liked the community that they have in the slum, 8% liked the proximity to markets and place of work, while 3% liked the infrastructural services provided in the slum.

TABLE 5.4: NEIGHBOURHOOD CHARACTERISTICS AS LIKED BY THE SLUM DWELLERS

S.No	What do you like about this neighbourhood?	EWS	LIG	Total	Percent
1	People from our community stay here/ Our relatives live here/community feeling/ Been here for long, it has become a way of life	13	13	26	12%

⁸⁷ A mud road paved by the slum dwellers themselves, but would be wide enough for a four wheeler to pass through.

2	Close to work/Easy to get work/I have a shop in the slum or within city limits/ roads/railways station/bus stand/market close by	5	11	16	8%
3	Water facility/electricity/our community hall	1	6	7	3%
4	Don't like anything/ or a more casual 'what's there to like' response/ 'Scoffing' and no response	75	87	162	77%
Total		94	117	211	100%

3. Land and Housing Arrangements

The majority of slum dwellers (72%/152hh) lived on encroached public land, with 11% (24hh) on encroached private land. 7% (15hh) had an occupancy right certificate granted for duration of 30 years by the government in 1998⁸⁸. 7.5% (16hh) lived on village lands and did not have any documentation or knowledge of whom the land belonged to. The houses in slums of Gondwara, parts of Khamardih and Ravigram looked like old village houses, and the claimed owners had reportedly been living there for generations. A negligible number (4hh) claimed to have legal title to the land but did not agree to show their records. Some of the people living in the village homes were tenants, especially in Gondwara. They were industrial workers in the nearby factories to whom the home owners had rented part of their property. These rentals worked on informal agreements.

Even on encroached public/private land, the dwelling had sometimes been bought or paid for by the current residents. 13% (25hh) of the surveyed families had bought the property that they were living in. These families were aware that the property was encroached and that the deal had been made in the informal market.

On encroached lands, 72% (151hh) had built their house using materials they had access to, while 13% (29hh) were living in informal rented accommodation. 62% (131hh) had been living in the same slum for more than 20 years. Newcomers were few and were mostly renters.

TABLE 5.5: LENGTH OF STAY IN THE NEIGHBOURHOOD (OWNER HOUSEHOLDS)

S.No	When did you start living in this neighbourhood?	EWS	LIG	Total	Percent of the owners households	Percent of the total households
1	0-5 years	2	2	4	2%	2%

⁸⁸ Reportedly, in an attempt to garner votes, occupancy certificates were awarded to over 2 million slum residents encroaching on government land (Singh N. , 1998).

2	5 to 10 years	7	8	15	8%	7%
3	10-20 years	17	15	32	18%	15%
4	20-30 years	26	33	59	32%	28%
5	More than 30 years	32	40	72	40%	34%
Total		84	98	182	100%	86%

For the owner occupiers - 86% (182hh) – the situation about length of stay is different from the average (see table 5.5). The first set of encroachers in the slum usually built their houses incrementally. A family would come and encroach upon certain space within the slum, but as the children grew up the daughters would be married off and the sons would build new homes often within the same slum. That probably explains why, even though 62% of the inhabitants have been living in the same neighbourhood for the last 20 years or more, only 27% are still living in the same house (see table 5.6). For the same reason there is a considerable population (16.5%) who have occupied their current homes relatively recently (0-5 years), while only 2% of the population had moved into the neighbourhood in the last 5 years.

TABLE 5.6 LENGTH OF STAY IN THE CURRENT HOME (OWNER HOUSEHOLDS)

S.No	When did you buy/build this home?	EWS	LIG	Total	Percent of the owners households	Percent of the total households
1	0-5 years	15	20	35	19%	16.5%
2	5 to 10 years	21	33	54	29.5%	25.5%
3	10-20 years	17	19	36	20%	17%
4	20-30 years	15	17	32	17.5%	15%
5	More than 30 years	16	9	25	14%	12%
Total owners population		84	98	182	100%	86%

I. Owner Occupied

The owner occupiers (86%/182 hh) were asked to estimate the cost to build their current home. If the house was built 30 years ago, they were only able to give an approximation of

how much it cost to build⁸⁹ it then (see Table 5.7), and to give their estimate of the current price of their home (see table 5.8). Most owner occupied houses cost less than Rs.1 lac (approx. \$1800) to build/buy, however nearly 15% of the house owners estimated the current price to be 5-12 lacs, while additional 10% households thought their house was currently (2012) worth more than 12 lacs. Tables 5.7 & 5.8 exclude nearly 20% of the households who were earning above the LIG limits.

TABLE 5.7 COST TO BUILD/BUY THE HOUSE

S.No	Total Cost to build/buy the house	EWS	LIG	Total	Percent
1	Under Rs. 50K	55	42	97	53%
2	Rs. 50K-1Lac	14	27	41	23%
3	Rs. 1-2Lacs	7	6	13	7%
4	Rs. 2 -4 Lacs	6	17	23	13%
5	Over 4 Lacs	2	6	8	4%
Total		84	98	182	100

TABLE 5.8 ESTIMATION OF CURRENT VALUE OF THE HOUSE

S.No	Estimation of current value	EWS	LIG	Total	Percent
1	Under 50K	8	5	13	6%
2	50K-1Lac	15	6	21	10%
3	1-2Lacs	13	23	36	17%
4	2-5 lacs	16	17	33	16%
5	5-12 lacs	6	25	31	15%
6	Over 12 lacs	7	14	21	10%
7	Don't know	1	0	1	NA
8	Nothing now because we have heard rumors that they are going to clear it.	28	27	55	26%

⁸⁹ If they had bought the house, the amount that they had paid was noted down.

Total	94	117	211	
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The estimates of the house price were similar across the various slums. The type of structure (permanent/temporary), location - both in terms of where the house was located in the slum, and which part of the city the slum was located in, and access to amenities - determined the house price. A house that was on the main road, even if it was on encroached land, was worth more than a house on the inner parts of the slum. The residents spoke at length about how rumours about certain slums being cleared mean those houses will not find buyers.

TABLE 5.9 HOUSE BUILT/BOUGHT WITH CREDIT OR SAVINGS

S.No	Built/bought with Credit or Savings	EWS	LIG	Total	Percent
1	Credit	17	2	19	11%
2	Savings	31	39	70	38%
3	Savings +Credit	30	46	76	42%
4	Sold agricultural land in the village/sold marriage jewellery/built with compensation money for someone's death or injury	6	11	17	9%
Total		84	98	182	100

Some households (53%/95hh) managed to secure some form of credit for their housing. Anybody with cash to spare served as a money lender; the preferred source for getting a loan is often family/relatives. These relatives, however, are often cash/credit constrained themselves. The interest rate for such loan was explained as: if they borrowed Rs. 100 this month then next month they had to return Rs.105, if they took two months to return it would be Rs.110. This amounts to a simple interest rate of 60% per annum. The slum dwellers considered the rate high but fair. The money lender, as explained, was doing a favour by lending out the meagre savings he has at considerable risk. The risk was minimised by keeping the credit short term. Therefore, informal money lenders could not lend for long term commitments such as buying a house in a formal market.

The slum dwellers also remarked that they often relied on multiple credit sources. For example, if they had taken a loan from the money lender, they would often borrow from relatives to repay part of the loan.

While nearly 60% of the households had a saving account in the bank, they did not borrow from banks for housing needs (though on occasion some households mentioned accessing

formal credit services for buying motorbikes or for small business needs with the help of a guarantor). Of the 103 households who had taken an informal loan for housing needs (see table 5.9), every single household was aware that the bank would demand registration papers and other documents (such as identity and address proof) which they did not possess. The remaining 79 households (37%) had never taken credit for housing needs.

II. Rental Housing

Fourteen per cent (29 hh) lived in rental housing. Nearly 50% of these renters were recent immigrants and had been living in that house for less than 5 years. 90% of all the renters had lived in their house for less than 10 years. Rental houses were either semi-permanent or permanent. The renters were usually seasonal migrants who come to the city to work as casual labourers during the agricultural off season. They own land/house in the villages where their family lived. The encroachers (who then become owner occupiers) on the contrary were usually those who had severed all ties with their villages, and sold any land that they might have owned, in order to bring the whole family along. They were more permanent migrants.

The rents (2012) in most slums for a one room tenement ranged between Rs. 800 and 1200 per month (see table 5.10). These houses were typically 100-120 ft², with one corner being used as a kitchen. There would be no toilet facilities (except in one rental accommodation in Srinagar with shared toilets), but at times they would have a semi enclosure to be used as the bathroom. The increase in rent was not annual and did not follow any schedule. Slightly better quality housing had marginally (Rs.100-200 more per month) higher rents. These would usually be occupied by migrants living with part of their family (wife and children) but still supporting their parents back home, or by those working in considerably better paying occupations such as drivers or office assistants.

TABLE: 5.10 RENTS

S.No	Rents	EWS	LIG	Total	Percent
1	Below Rs.500	0	3	3	10%
2	Rs. 501-1000	7	9	16	55%
3	Rs. 1001-2000	3	4	7	25%
4	Above Rs. 2000	0	3	3	10%
Total		10	19	29	100

Fifty five per cent of the households had chosen the accommodation/neighbourhood because their relatives lived in those slums. These relatives often helped new comers to settle in by introducing them to potential employers and landlords. The general opinion

among the slum dwellers was that smaller slums are more likely to be cleared, and therefore residents often encouraged their villagers to come live with them in the same neighbourhood.

The remaining 45% (13hh) of the households got work in a nearby public works construction or a factory, and rented accommodation in adjoining neighbourhoods. Anyone with a room to spare became landlords. As the places drew more migrants, those who had some savings constructed single room accommodation (see appendix 5.3 in CD for pictures). The landlords explained that these single rooms could be let out to families or as commercial spaces for storage or shops. The landlords mostly lived in the same or a nearby slum, and in most cases had rented out a part of their own house/former encroachment.

Fifty five per cent (16hh) tenants, in addition to rent, reportedly paid for repairs and maintenance, as required. The other 45% (13hh) had not yet had the need to undertake any repairs and/or maintenance work, and they mentioned having had no discussion with their landlord about such issues. 17% (5hh) of the renters had built some extensions on the property. For example: a partial enclosure was constructed to serve as a bathroom or changing stand. Or a plastic sheet was tied over a backyard to serve as an extra room to sleep in. Reportedly, while minor extensions were tolerated, further encroachments were discouraged, probably because they posed a threat to the ownership.

Most (97%/28hh) did not have a written rental agreement; the relationship was based on trust. Nevertheless, in case of a conflict the landlords would have the upper hand.

For a majority of the households, both owner-occupiers and renters, one of the biggest drawbacks of living in the slum was the insecurity. They had to invest in some form of housing without any insurance. 68% (143hh including owner occupiers and renters) admitted that they lived in the constant fear of being evicted by the government (see table 5.11). They mentioned that the insecurity is 'always there at the back of their minds', which is intensified with rumours that their slum might get cleared, and recedes 'when things cool down'.

TABLE 5.11: FEAR OF EVICTION

S.No	Do you live in the constant fear of being evicted?	EWS	LIG	Total	Percent
1	Yes	66	77	143	68%
2	No	28	40	68	32%
Total		94	117	211	100

The remaining 32% (68 hh) believed that they would not be evicted this year because the state legislative elections were drawing near; therefore the fear was not constant but rather followed the ebb and flow of state politics. If their elected *Parshad* did not support them, they would side with the opposing politician who would be more than willing to help them organize a rally against the elected leader (see table 5.12).

TABLE 5.12: SLUM DWELLERS' PERSPECTIVE ON POSSIBLE SOURCES OF SUPPORT

S.No	Who is on your side?/who will support you?	EWS	LIG	Total	Percent
1	Community	24	37	61	43%
2	<i>Parshad</i> ; he will get us compensation and/or a free home	29	15	44	31%
3	Nobody	13	25	38	26%
Total		66	77	143 ⁹⁰	100

However, even those, who reportedly did not live in 'constant fear' of being evicted, did mention that the thought often crossed their mind, but that as long as the community sticks together, they should be safe.

5.4.2 NEEDS ASSESSMENT

This section reports the housing requirements of the EWS/LIG population living in the slums of Raipur in terms of the minimum floor area, location in terms of distance from their current neighbourhood, and preferred amenities.

Ninety per cent (189hh) responded that they had no problem with living in high rise buildings. In terms of the space requirement, many of the LIG families were willing to settle for a smaller accommodation, if it was of good quality (see table 5.13).

TABLE 5.13 MINIMUM FLOOR AREA

S.No	How much would be the minimum floor area for you?	EWS	LIG	Total	Percent
1	300 sq ft	81	50	131	62%

⁹⁰ The respondents only include those who did mention that they were scared of being evicted.

2	500 sq ft	9	63	72	34%
3	500-700 sq ft	4	4	8	4%
Total		94	117	211	100

Nearly 95% (201 hh) of all households indicated that they were willing to 'commute a bit' in order to buy a decent AH (see table 5.14); 70% were ready to move up to 10-12 kms from their current location. During the survey, many slum dwellers who lived in the periphery of the city mentioned that while they could move even further than 10-12 kms, what mattered was where they were going. They were willing to move in any direction as long as it was within 5-6 kms of the city limits. Easy access to the city was a primary consideration.

TABLE 5.14 DISTANCE CONSIDERATION FOR THE NEW HOUSE

S.No	If so, how far from the current location?	EWS	LIG	Total	Percent
1	1-2 Kms	6	6	12	6%
2	5-6 Kms	23	20	43	21%
3	10-12 Kms	31	56	87	43%
4	5 kms to city limits anywhere in Raipur	26	33	59	30%
Total		86	115	201	100

Nearly 70% (146hh) of the surveyed households agreed that having better public transport would help immensely. Those (30%/65hh) against public transport were mainly rickshaw pullers or auto-rickshaw drivers who feared it would worsen their livelihood.

Most (80%/168hh) reported a mid-rise dwelling with five basic amenities - drinking water, toilet, electricity, drainage and roads – as being adequate for their needs (see table 5.15). On being asked if they felt they had any other requirements, they were quite realistic⁹¹ in their assessment of what they could afford, and had expectations that social amenities would develop gradually. 19% (40hh) considered social amenities as an important requirement and feared that if they bought homes without such amenities, the authorities/builders would forget about them and they would be left to fend for themselves.

⁹¹ Many replied on the lines of "if I dream of the moon, I won't get it", and others who were more resigned to their fate jokingly replied that mosquitoes in the slums did not let them sleep, let alone have dreams, so all they could afford to do was live one day at a time rather than make castles in the air.

TABLE 5.15 NEEDS ASSESSMENT

S.No	Needs Assessment	EWS	LIG	Total	Percent
1	Drinking water, toilet, electricity, drainage and roads is enough; the social amenities will come by gradually.	72	96	168	80%
2	Elevators for the elderly, market, school, hospital, police station, park, parking space, workshop space – proximity to these social amenities vital.	20	20	40	19%
3	Don't even need all of the basic amenities, just needs to be close to work	2	1	3	1%
Total		94	117	211	100

Answering a different question, 15% (32hh) mentioned that they currently had space around the house where they kept livestock (mostly poultry), and would prefer having such arrangement in the new dwellings. 85% (179hh) did not own any livestock.

5.4.3 ASSESSING CAPACITY TO PAY

The two 'model houses' presented below were used to assess the capacity to pay. Before asking the questions about the 'ability to buy', the calculations (as detailed in section below) for both houses were explained to each household. Any questions/clarifications were answered before proceeding with this part of the survey⁹². The households were reminded that these were hypothetical questions that would help in gauging the slum dwellers' capacity to pay. They were assured that there is no right or wrong answer, and were encouraged to be honest in their answers in order to help me arrive at a fairly accurate approximation.

Calculations used in the Survey

In order to assess the ability to pay, two hypothetical houses were generated. The price of the house was estimated⁹³ at Rs. 300,000 (approximately USD 5400) for the 300 sq.ft., and Rs. 500,000 (approximately USD 9000) for the 500 sq.ft. Based on this, the Equated Monthly Instalments (EMI) and initial deposit were calculated. These prices are comparable to formal government dwellings described in chapter 2.

⁹² The usual questions were – where would these be located? Who is the builder? Is the government involved in some way?

⁹³ The estimated price of the house was arrived at by adding inflation to the 2008 price fixed by GoCG for EWS and LIG. The government agencies usually work on no profit, no loss basis, they do charge a processing fee of 10%, and an additional 10% is charged by the private contractor who executes the bid for the government housing projects (see chapter 2). The final price for 2012 was approximated at Rs. 3 and 5 lacs for 300 ft² and 500 ft² dwellings respectively. Chapter 7 examines how these prices compare to market prices.

The rate of interest (2012) for housing loan was between 11 and 13% (an average of 12%) (NHB, 2012). Initial deposit is usually fixed by the bank⁹⁴ and it is between 15-20% of the loan amount. For this study, it was assumed at 20%, because of the higher risk. The bank offers long term loans of 15 or 20 years repayment cycle; the duration of the loan term is chosen by the customer. A 15 years repayment cycle was considered for calculations. With this data, the following figures were arrived at using the mortgage calculator link (<http://www.icicibank.com/Personal-Banking/loans/home-loan/homeloan-emi-cal.html>):

1) For the Rs. 300,000 house at 12% and 15 years

- 20% Deposit = Rs. 60,000
- Actual loan amount = Rs. 300,000- 60,000 = 240,000
- So, as per the EMI calculations:
 - Loan = Rs. 240,000
 - Interest Rate =12%
 - No. of years = 15 years

The EMI in this case is Rs. 2880

2) For the Rs. 500,000 house at 12% and 15 years

- Deposit = 20% = Rs. 100,000 (1 lac)
- Actual loan amount = Rs.500,000 – Rs. 100,000 = Rs. 400,000
- So, as per the EMI calculations:
 - Loan = Rs. 400,000
 - Interest Rate =12%
 - No. of years = 15 years

The EMI in this case is Rs. 4801

The housing affordability was assessed using these figures.

Sensitivity Analysis: If the interest rate were higher (16% or 20%) to take into account the extra costs of relatively small loans, or the extra risk of lending to poorer households, the EMI would be as follows:

For the Rs. 300,000 house at 16% and 15 years – Rs. 3525

For the Rs. 300,000 house at 20% and 15 years – Rs. 4215

For the Rs. 500,000 house at 16% and 15 years – Rs. 5875

For the Rs. 500,000 house at 20% and 15 years – Rs. 7025

⁹⁴ For AH, in Chhattisgarh, the initial deposit is fixed by the agency, that is in charge of the housing project.

The two widely used definitions of measuring affordability are Ratio and Residual methods⁹⁵. The ratio method is expressed as a percentage of the income that is spent on rent (usually set at 30% of the income) and is normally applied to the whole population, nationally or locally. However, this method has been criticised on the grounds that a single ratio cannot account for regional variation in housing costs, nor does it distinguish between households with same income levels but different household size. The residual method refers to the amount of cash a household is left with after accounting for its essential expenditure. The interpretation of this method depends on defining adequate standards and on the consistency of cost of living measures across areas and households (Freeman, Kiddle, & Whitehead, 2000).

In this study the affordability measure was based on the residual method, whereby the households themselves defined the adequate standards of non-housing needs and the associated expenditure. They were encouraged to discuss among themselves and decide whether or not they could afford the initial deposit and the monthly instalment for the housing, after accounting for their essential expenditure. This helped reduce the possible biases of households falsely reporting that they could afford to buy the dwelling in order to avoid embarrassment. It also helped to serve as a check against families who under-reported their income. In such cases, the details of their expenditure would exceed their income levels, and they would then admit to an additional source of income which was initially not reported.

However, this measure of affordability does not include the daily public services (electricity, water charges) or maintenance costs connected to the units. The households were reminded that moving into such housing would mean incurring such additional charges. This affordability measure also does not include additional costs for transportation that they might have to incur in case of moving to a location further from the city centre. Currently the slum dwellers do not use public transport. Their place of work is reportedly within 2-5kms distance for women and 5-8Kms for men, and this distance is usually covered on foot or by cycle. Reliance on shared auto services in the city was reported only for personal entertainment such as going to watch a movie or to go shopping. As mentioned earlier, proximity to a market centre and/or residential complex (within 5-8kms distance) for work was reported by 30% households as a prerequisite in their decision to buy new housing.

The term 'investment' rather than 'buying a family home' is used in discussing the findings, as during the fieldwork it was revealed that some households in the slums were considering buying the house to rent to others, at least temporarily, as discussed in the section 5.5.

TABLE 5.16: INVESTMENT IN TERMS OF 'VALUE FOR MONEY'

⁹⁵ For a more detail on definition and measurement of housing affordability refer section 2 of The Affordable Housing Reader (Mueller & Tighe, 2013), and Chapter 3 of Housing Affordability and Housing Policy in China (Yang & Chen, 2014) for how either of the methods can be used to develop time series data for determining on-going affordability, given that incomes and housing costs change over time.

S.No	Would you consider the investment 'value for money' ⁹⁶ ?	EWS	LIG	Total	Percent
1	Yes	94	117	211	100
2	No	0	0	0	
Total		94	117	211	100

All of the surveyed families considered the investment to be 'value for money'. However, when asked if they would be willing to invest in the model EWS/LIG home, only 89% agreed (see table 5.16). The remaining 11% had various reasons to be 'currently' not willing, such as an upcoming wedding in the family; they did not feel the need to buy a new home; had other priorities. The question about willingness was asked before the question about ability.

TABLE 5.17: WILLINGNESS TO BUY

S.No	Would you be currently ⁹⁷ willing to invest in either of the two houses?	EWS	LIG	Total	Percent
1	Yes	79	108	187	89%
2	No/Not at the moment	15	9	24	11%
Total		94	117	211	100

The household was informed about both the housing options, as many LIG families had in answering the earlier questions indicated that they would be satisfied with the smaller (i.e. intended for the EWS hh) model house. They were then asked if they considered themselves financially able to buy one of the two homes. 82% (170hh) reportedly were able to buy one of the two model houses.

TABLE 5.18: PERCEIVED ABILITY TO INVEST IN A HOME

S.No	Would you be able to invest in a home?	EWS	LIG	Total	Percent
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⁹⁶ 'Value for money' was explained as an exchange that was considered fair, and money well spent.

⁹⁷ I had to add the word currently to avoid the more casual, "we will think about it when such homes start getting built" answer. However, it also meant that many families had an upcoming priority that they needed to attend to, and therefore were "currently" not willing.

1	Yes	61	111	170	82%
2	No	33	6	41	18%
Total		94	117	211	100

More detailed analysis, including an assessment of their expenditure patterns based on current subsidies (see table 5.19) indicates that 102/170hh (60%) could buy a house within their own category (i.e. an EWS household buying a house for 300,000, an LIG hh a house for 500,000). 54 LIG households could only afford a 300 ft² home. 16 EWS hh reported that, while today they were capable, in case of an emergency (such as someone falling sick or meeting an accident) or in case of the state withdrawing its food subsidies, they would not be able to afford the EMI.

TABLE 5.19: FINANCIAL ABILITY TO PAY BOTH THE DOWN PAYMENT AND EMI

S.No	Able to invest in a home (both down payment and EMI)	EWS	LIG	Total	Percent
1	Yes	45	57	102	(102/211) 48%
2	Who can buy the 300 ft ² home (LIG)	-	54	54	(54/117) 46%
3	EWS who currently are able to afford both down payment and EMI, but in case circumstances were to change were not so sure.	16 ⁹⁸	-	16	(16/94) 17%
4	No	33	6	39	18%
Total		94	117	211	

In effect, 74% of the surveyed population⁹⁹ indicated that they could afford to buy a house as specified here, and 18% were clear that they would not be able to afford such a home. The remaining 8% may not be able to sustain repayments, as their capacity to pay is highly dependent on other factors.

⁹⁸ They were only comfortable committing to an average of about 2K per month.

⁹⁹ Which excludes approx. 20% of the families who could not be surveyed as they reportedly earned higher than the LIG limits.

5.4 DEMAND CONSTRAINTS

This section discusses the slum dwellers' perception of demand constraints. Before starting the slum survey, an Informal Group Discussion was held in the Gandhi Nagar slum (Zone 3, Ward 30 – Kalimata Ward). This was the slum where my guide resided. There were about 20-25 residents who participated in the discussion. The discussion started with around 25 people, but the participants would walk out if they had businesses to attend to, and others joined in. It was organized informally in an open courtyard space.

I informed them of the estimated costs that they might incur in buying a home (see section 5.4.3), and then asked them to raise their hands if they thought some of the residents in this slum, their neighbours and themselves included, would be able to afford such a house. They were also informed that they would not be questioned on who they thought was capable of buying such a home. In response to this, quite a few hands were raised. I then proceeded to ask questions about the factors that they considered were stopping them from buying such a home. A list of eight perceived constraints emerged (see table 5.20).

TABLE 5.20: LIST OF DEMAND CONSTRAINTS FOR BUYING FORMAL SECTOR HOUSING AS PERCEIVED BY THE SLUM DWELLERS

Demand Constraints
1. Non availability of low cost homes
2. House-hunting is a time consuming process that we cannot afford.
3. Lack of access to long term, cheap credit
4. Trust Issues
5. Third party Guarantor
6. The flats available are too small
7. Registration process is cumbersome and bribes make it expensive
8. The houses are of poor quality

This compilation of perceived constraints collated through the group discussion served as the checklist for the household survey. The families were read out each constraint and were asked whether or not they personally agreed with the constraint posing a barrier/potential barrier to their securing an AH, along with their reasons for their answers. They were also asked if they had any more constraints to add to the list.

The list of constraints was discussed by slum households irrespective of their capacity to pay. During the fieldwork some of the households -not all- who could not afford the 'model

houses' dropped out of the survey after answering questions about current housing conditions and capacity to pay, and before the constraints section. In total 201 households answered the constraints section.

The initial plan was to rate the demand constraints, but it was a complicated and time consuming exercise, and the respondents seemed to lose interest, so they were simply asked if they agree or disagree with the constraint.

The constraint about Trust issues was split into two to get more detailed information: 1) *"I have heard of people getting cheated"*, 2) *"It happened to me, I got duped"*. Ranking in order of the number of people who agreed with the constraint, revealed an interesting point in terms of the trust issue: while only 28 households in the survey were victims of fraud in informal real estate dealings, the perceived lack of trust is more widespread. The Demand Constraints and the number of households who agreed with the constraints are listed in table 5.21 and are indicated in brackets alongside the constraint.

TABLE 5.21 DEMAND CONSTRAINTS - RANKED ACCORDING TO THE NUMBER OF PEOPLE WHO AGREED WITH THE CONSTRAINT

Demand Constraints		EWS	LIG	Total
What is stopping you from buying low cost homes in formal market?	Total No of households who answered this part of the survey	86	115	201
1) Non availability of formal low cost homes in private market	Number of Households who agreed with the constraint	86	115	201
2) House-hunting is a very time consuming process		70	113	183
3a) Trust issues – "I have heard of people being cheated."		65	112	177
4) Lack of access to long term, cheap credit		74	98	172
5) Registration process is cumbersome and bribes make it expensive		66	99	165
6) Third party Guarantor		40	75	115
7) The houses are too small for our families.		25	51	76
8) The houses are of poor quality		5	27	32
3b) Trust Issues – "I was the victim of such fraud."		9	19	28

1) Non availability of low cost homes to buy in open market (201/201hh)

While AH was provided within city limits, these houses are a) limited in comparison to demand and therefore b) are not available for sale, as they are allotted. The number of applications for the government built houses is much more than the number of houses available and the screening for eligibility is a lengthy process. At times, the CGHB has had to call in police to control the restive crowds who had queued up to file their application. The number of eligible applicants is higher than the number of houses available and hence the housing is allotted on a lottery. If a large family (brothers living together with their families) needs, and is able to afford, two adjoining houses, they are not able to buy such housing because of lottery allotment.

To understand this better, there are about 125,000 households living in slums (see appendix 5.1) and that so far government agencies have been able to build no more than 5000 dwellings a year in Raipur (Interviewee-3F, 2012). So it would take 25 years to house all slum households, if the population were to remain constant.

2) House-hunting is a time consuming process (183/201hh)

House-hunting was seen as a time consuming process wherein the households risked not only losing their wages for the day, but also their job, as most of them worked without benefits such as leave, or other compensation. In case of the self-employed, it meant losing their vending spaces and their customers, apart from loss of income. 183/201 households indicated this as a constraint. It was often mentioned that if enough homes were available, probably it would not be as time consuming.

3) Trust issues (177/201hh)

Two constraints have been grouped here: 1) 177/201 households had heard of people being cheated, losing their entire lifetime savings, and such rumours act as a constraint to convert the money into demand, 2) 28/201 households had lost money in land and housing deals. Both these are discussed here.

While the slum dwellers may or may not have been cheated by the formal developers, their perception that land and real estate dealings are risky is constraining them from buying houses in the open market. Slum dwellers engage in informal land deals, and often get cheated, or hear of such stories. They do realise that such dealings are not legal, but continue to engage in them, partly because some people in the neighbourhood seem to be profiting from such deals, in part because they are swayed by the good salesmanship of middlemen. These middlemen reportedly frequent the neighbourhood tea shops or common grounds and talk the slum dwellers, who have some savings (between Rs.50000 and 200,000) but have no idea where to invest it, into deals.

However, while the slum dwellers realise that this is informal dealing and does not necessarily apply to all land dealings, they do not have much faith in the regular system either. If something were to go wrong, they feel that they lack the wherewithal and the confidence to challenge their claims in a court of law. Possession of a certified document does not always provide them with the necessary sense of security about their investments. However, in a general sense, the slum dwellers seemed to trust the government and are not averse to investing in a government project.

4) Access to credit - 172/201hh

Not having access to formal credit is clearly one of the major constraints, which had two different aspects – 1) Lack of access to long term, ‘cheap’ credit (172/201hh)¹⁰⁰ and 2) Need for third party guarantor (115 of 201hh). These were listed as two separate constraints (4&6) but are discussed together (table 5.21).

The slum dwellers have access to short term informal credit, which has a simple interest rate of 60% per annum and therefore cannot be used for buying a formal house. The monthly instalments for assessing the EWS/LIG’s ability to pay were calculated on market interest rates @12%. ‘Cheap credit’, therefore, does not refer to subsidising formal credit. It refers to access to formal credit (12%) which is cheaper than informal credit (60%).

Access to formal credit is constrained because most slum dwellers do not have the required proof of identity and/or address. The slum houses did not have a postal address. Each government department has its own system for identifying the houses. Most houses had multiple codes/numbers painted on the walls or door, indicating one or more surveys. Most slum dwellers did not possess basic identification documents. While they all had their voter ID’s and/or driver licence, the names were incorrect/inconsistent. Most dwellings had just the ward number as their address (for example: every household in Kali Nagar, Fafadih had the same address on their voter ID). Even the slum dwellers who had a “bank account” (mostly with Sahara bank) and had the relevant documents (such as a bank passbook/driver’s license) did not satisfy the requirements for credit. Proofs of both identity and address, which could be established by utility bills, were required for the bank to extend credit.

Some banks require a third party guarantor, which in turn is hard for these households to secure. In case of CGHB houses for LIG and EWS, the Housing Board acts as a third party guarantor. However, if households were to buy such homes from private builders, they might not be able to find a guarantor.

¹⁰⁰ The households (29 hh) who did not report the credit constraints were either government employees who have access to formal credit, or those who have never tried getting credit, and therefore have limited or no knowledge of their creditworthiness.

5) Registration process is perceived as cumbersome and bribes make it expensive

The majority of households (165/201) perceived the registration process as being expensive and bureaucratic, although less than 1% of the surveyed households were aware of prevailing registration rates. They were also unaware that registration is free for EWS families¹⁰¹. When informed about this, almost every single family had the same justification for their answer: namely, that it is not just the actual fee, but the bribes to be paid to every party involved in the process of registration. It was hard to ascertain how much the slum dwellers thought it would cost; the estimate for getting a property registered ranged from Rs. 10,000- 50,000K. The majority of households were aware that they had to get “a housing plan”¹⁰² approved, and that they had to make the rounds of the various government departments to get their documents approved. They did not have information about the kind of documents that would be required, but feared that they would not have the relevant papers.

6) The houses are too small

Some households (76/201) considered the area of the ‘model dwelling’ a constraint. They explained that their current dwellings on encroached lands were much larger, and even if the house is small they make use of the space in front of the house as an extended living space. Living in a multi-storeyed house would not allow them to have such freedom.

7) The houses are of poor quality (32/201hh)

Citing the example of Kabir Nagar, a CGHB project which collapsed while being constructed, the households feared that private builders compromised on quality when it came to AH, and in such cases their investment would be lost. They mentioned that in case of a conflict with the builder, they did not stand a fair chance. In case they did buy the house in the open market, they assumed they would probably get a raw deal, and without their community, feared being lonely in their demands for water connection or other amenities which might be promised but not necessarily delivered.

¹⁰¹ While the state exempts the EWS families from paying the registration fee, they still have to pay for the processing and other surcharges and municipal taxes.

¹⁰² Chapter 7 discusses the steps involved and time taken in getting approvals and building permission.



JNNURM homes into which they were expecting the slum dwellers to move.

Source: <http://terraurban.wordpress.com/tag/jnnurm/>

This fear is not baseless. The only houses built in the formal sector for the EWS/LIG are built by the government. Corruption aside, these houses are usually far from what is promised.

The government departments building the projects had no available statistics on how often the houses in their projects were left unfinished, but according to the slum dwellers it was often the case. The slum dwellers are reluctant to move into an un-finished house, less because it is a hassle getting the work done when you are living in the house, more because they fear that once they occupy the dwellings, the builder will not complete any of the remaining tasks.

5.5 INFORMAL DISCUSSIONS AND OBSERVATION

Informal discussions with the slum dwellers revealed that willingness and ability to buy did not mean that the slum dwellers would be willing to move out of the slum. Most of the slum dwellers considered the new homes that they could buy as a financial safety net. They were willing to buy such homes if they were available, rent it out, and continue living in the slum. So that, if and when the slum got cleared, they would not miss the entitlement for a free

home. The 'hope of a free home'¹⁰³ gave an incentive to stay in the slum and not move out, but did not affect their buying decisions. There is always a possibility that some of the evicted slum dwellers will not get any replacement dwellings. In such cases, they want a shelter.

While these households regarded a decent 300-500 ft² apartment with 5 basic amenities¹⁰⁴ value for money, they were apprehensive about the change in lifestyle. 22/211 households, irrespective of their affordability, categorically refused to move into high-rise apartments, and 8/211 households reported 500-700 ft² as a minimum housing requirement. Further questioning about the appeal which the slum held for these households revealed some possible reasons. For these slum dwellers, their strength lies in unity; a point made often. In most slums in Raipur, it was found that people had migrated from the same village. In case of Bhawna Nagar slum, the first occupant there mentioned how she managed to convince other people from her village to come and encroach on adjoining lands, to provide her with a support mechanism. It was also expressed as a fear by those, who reported themselves as being able to buy their own decent housing, that their neighbours might not be able to afford the house and join them. When asked why this was important, the answers ranged from practical difficulties of losing childcare facilities, to more emotional issues such as losing camaraderie and solidarity. This comradeship is not superficial sentimentality; it serves a purpose in the slums. While the younger men and women go to work, the children usually are playing in the neighbourhood under the watchful eyes of the older men and women. Their group also knows that if they require a service in the neighbourhood (getting the hand pump installed or getting street lights), they need to be together to convince their local councillor [*Parshad*]. Buying a new house in an apartment without their community seems less appealing.

What appealed is having a house with legal title that they could sell if need be, or one that would serve as an investment. The heightened need for an alternative arrangement could have been triggered because of the ongoing slum clearance in Raipur at the time of fieldwork. The positive answer could have an element of strategic bias – giving answers which they think might encourage policies favourable to them.

While slum clearance leads to insecurity, slum upgrading programmes like Rajiv Awas Yojana (RAY), where the government provides basic facilities in the slums, have the opposite effect. In keeping with the change in views¹⁰⁵ regarding tenure security, current slum upgrading programmes tend to use infrastructure investment as the means for enhancing

¹⁰³ It was commonly understood in the slums that most of the slum clearance programmes do not have sufficient number of houses in accordance with the number of families evicted. But there is always a hope that they might succeed in securing a house. I was unable to obtain official statistics on how many households were cleared and the number of houses allotted.

¹⁰⁴ Toilets, drinking water, lighting, roads and drainage.

¹⁰⁵ The earlier view was that tenure security is a precursor for housing and infrastructure investment.

tenure security and encouraging housing investments¹⁰⁶. The resistance to move out of the slum is strongest from those who are earning significantly more than LIG income limit, and so have the ability to pay, but have already invested considerably in their current homes in the slums. These households are often politically connected and are influential in the community. One of the serious drawbacks of such slum upgrading programmes is that the government¹⁰⁷ does not have the resources to cover the entire slum population; however it creates a hope value where slum dwellers would like to believe that, in time, they will have access to clean environment with basic amenities.

While this constraint may seem like a market constraint and a matter of 'consumer preference', the preference is clearly being affected by the government policies. This is therefore an institutional factor that constrains the demand.

5.6 CONCLUSION

The chapter began with the hypothesis that, in Raipur, a section of the EWS/LIG population with the existing levels of costs and incomes would be able to afford their own 'decent' AH if the institutions were different. This hypothesis was put to test in with a random sample of 211 households from 21 slums in Raipur Municipal Corporation area and the findings can be reported with 92% confidence level and 6% margin of error¹⁰⁸. The analysis indicated that 82% (170hh) of the households considered themselves financially able to buy one of the two model houses.

More detailed analysis, however, reveals that fewer households (102hh = 48%) could buy a home within their own category. 54 LIG households (26%) could only afford a 300 ft² home. 16 EWS households (8%) reported that while currently financially capable, a change in circumstances (such as someone falling sick/an accident or in case of the food subsidies being withdrawn) could affect their EMI repayments.

Nevertheless, taking even the most conservative figures, more than 50% of the surveyed slum population said that they would be able to buy their own AH, provided the institutional demand constraints were addressed. Part of the slum population (approx. 20%) was not included in the survey, as they reported earnings above the LIG limits. Taking these households also into account, approximately 70% of the slum population could be financially capable of buying their own AH. However, the more affluent (approximately 20%) of the slum population (especially in the slums of Khamardih, Telibandha, Mahant Talab, Srinagar, Behra Para) who were not part of the survey might not be willing to buy such

¹⁰⁶ This de-facto security (without legal land title) is often found to be enough for slum dwellers to start investing in their homes to improve their living conditions (Gulyani & Bassett, 2007).

¹⁰⁷ Not just the state government or the GoI, but even at a global level the UN MDGs aim to "improve the lives of 100 million slum dwellers" which is 1/10 of the world's slum population. In most countries the UN MDGs are considered unrealistic as the governments do not have the resources to fund even the most basic slum upgradation programmes.

¹⁰⁸ According to the 2011 census, the number of slum households in Raipur is 80,200. The recommended sample size (from Raosoft) to be able to make a generalization for Raipur is 384 hh (@ 95% confidence and 5% margin of error). But surveying such a large sample would have resulted in not being able to cover all three phases of the fieldwork, hence a smaller sample.

homes, as they have already built permanent houses in the slum (see pictures – Type 3 housing).

The next step involved identifying the factors that the slum dwellers perceived as constraining their ability to buy their own AH. Analysis showed that while credit was one of the major demand constraints, there were other constraints such as availability of such dwellings, trust issues, a perception of the house-hunt being time consuming, and bureaucratic hurdles. The survey also shows that some slum dwellers consider that it might be better not to move out of the slum, but to stay put in the hope that the government slum clearance programmes will provide them with a free or cheap dwelling elsewhere.

6. SUPPLY OF AH: THE PRIVATE BUILDERS' PERSPECTIVE

6.1 INTRODUCTION

This chapter reports the findings of the semi-structured interviews with 30 private builders operating in Raipur. The main objectives were to examine 1) whether it is technically feasible to build such housing within the cost estimated, 2) the institutional barriers that constrain the supply of AH by the private sector, 3) how binding these constraints are, 4) to identify the incentives to enter the AH market, and 5) to ascertain builders' willingness to supply AH if the constraints were addressed.

6.2 FIELDWORK

For this research, 30 of the 77 builders listed (alphabetically) in Confederation of Real Estate Developers Associations of India, Chhattisgarh Chapter (CREDAI-CG)¹⁰⁹, were interviewed in April-June 2012. Every alternate builder was approached for the interview until the target of 30 interviews was met. If the marked builder was unavailable¹¹⁰, the next person on the list was interviewed. A majority of interviews were between 45 minutes and 1.5 hours long, with two interviews spanning more than 2 hours. The interviews were mostly conducted in Hindi; these were later transcribed and then translated into English. The interviews were conducted either at their corporate or site offices. Most businesses were family owned and in one interview both father and son participated. The interviewees include 16 small builders, 6 mid-sized building firms, 4 large building firms and 4 very large building firms, where size of firm was defined by the number of homes they built the year before¹¹¹. All of the builders interviewed built housing for the MIG/HIG, as well as for the 'luxury segment' as it is commonly termed in Raipur. House prices ranged from Rs. 15-35 lacs [1 lac=100,000] for MIG, Rs. 35-70 lacs for HIG, and from Rs. 70 lacs – 4 crores [1 crore= 10,000,000] for the 'luxury segment'.

There were a few¹¹² small builders who were also building for what they called the LIG – with houses ranging from Rs. 7.5 -15 lacs¹¹³. The type of housing, it was told, was determined primarily by the location of available land, but also by the demand.

¹⁰⁹ The Confederation of Real Estate Developers' Associations of India (CREDAI) is the apex body for private Real Estate developers in India. CREDAI represents over 6,000 developers through 18 member associations across the country.

¹¹⁰ None of the 77 builders refused an interview. One had met with an accident and was recovering; two were on family vacations, while three of the builders were away on business. These six builders were more than willing to give an interview provided it could be postponed. However being on a tight time schedule, I simply moved on to the next name on the list.

¹¹¹ Based on number of houses built last year - Small builders (0-49 homes built in the last year), 6 mid-sized building firms (50-99 homes built in the last year), 4 large building firms (100-199 homes in the last year), and 4 very large building firms (200-400 homes in the last year).

¹¹² 11/30 builders

¹¹³ It is more expensive than what is considered affordable housing in this study.

6.3 PROFILE OF THE PRIVATE BUILDER

Most private builders in Raipur are developers as well as builders. They buy land on the private market and develop housing and commercial complexes. A few¹¹⁴ of these builders also undertake contract work for the government. None of the 30 builders interviewed was building dwellings in the price range (Rs. 300,000-500,000) considered by the study as AH.

These builders are businessmen operating in a speculative real estate and construction industry; and would like to participate in a potentially large market¹¹⁵ (Interviewee-06B and 03B, 2012).

A builder (Interviewee-12B, 2012) commenting on one of his ongoing projects mentioned that it had taken him 6 years to develop a single colony¹¹⁶, as 'luxury segment' homes come with unique specifications, tailored to the customer's needs and changing preferences. The low end market was mass housing and in the opinion of all 30 builders was a different kind of business, where profits were driven by high volume and turnover. However, they feel, for now it is not economically viable.

6.4 COST ESTIMATE OF AN EWS DWELLING

The first part of the builders' interviews included a cost estimate for building a 300 ft² AH with five basic amenities [water, electricity, drainage, roads and toilet] at current [2012] market prices in Raipur. The builders estimated that a change in some rules would allow them to construct dwellings below Rs. 300,000 (for calculations see appendix 6.1) which confirmed that such a dwelling could be built at the current levels of cost.

When asked 'if they would be willing to enter AH market, if the [institutional] constraints they experienced were addressed', each of the 30 builders responded positively. What then constrains the supply?

6.5 SUPPLY CONSTRAINTS

Builders' perception of supply constraints were identified through a semi-structured interview. No suggestions/pre-prepared list of constraints were asked for or provided. The builders listed all the issues that restrained them from entering the AH market. They were then asked to indicate those they found binding; these formed the constraints (see table 6.3). The remaining issues were compiled into a separate list as 'issues but not constraints' in table 6.7, appendix 6.2. 'Binding' was explained as that which was preventing the builder from entering the market. There are three overlapping topics [Constraints # 8, 9 and 11] which were listed by a few builders under 'binding constraints' but by others under 'issues

¹¹⁴ 5 among the 30 interviewed had either been a government contractor in the past, were presently contracted, or considering taking up such assignments.

¹¹⁵ Approximately 1 billion people would fall under the EWS/LIG category in India.

¹¹⁶ 'Colony' means an area so divided from an existing plot, with the provisions of basic services such as road, water, electricity, disposal of sewerage, for residents and includes construction under group housing and joint housing: provided that such plots which are divided amongst the members of the family shall not be included in this definition. However, it shall include group housing and joint housing [as defined in clause (10-c) of the Chhattisgarh Municipal Corporation (Amendment) Act, 2010]

but not constraints'. There was no restriction on the number of constraints they could identify as binding.

TABLE 6.3: SUPPLY CONSTRAINTS RATED

S.No	List of Constraints	Rating on a Scale of 1-10 (10 being the most binding)	Constraint mentioned in how many interviews	Mean	Std Deviation
1	Availability of low cost developed land	9.43	30	9.31	1.33
2	Government Approval Process	6.43	25	7.86	1.92
3	Risk of ineffective demand because of lack of access to credit for the low income buyer ¹¹⁷	5.57	22	7.27	2.17
4	Dual Taxation & high approval cost due to bribes	3.43	13	7.77	1.55
5	No control on escalation of construction cost	1.83	11	5.50	2.16
6	Low Floor to Area Ratio [FAR – density measure]	1.83	6	7.44	2.35
7	No Infrastructure Development/Transport & Connectivity to the outskirts	1.43	8	9.10	1.16
8	Labour shortage due to schemes like MG-NAREGA and food subsidies	1.13	7	5.75	2.75
9	Government supply of affordable housing lowers market price.	1.00	3	10.00	0
10	Non availability of institutional credit at low interest rates to builders	0.93	4	6.69	2.44
11	Government allotment process for EWS homes, sale not allowed	0.73	3	7.05	2.51

¹¹⁷ While lack of credit to buyers is a demand constraint, the builders considered this a supply constraint, so I do too.

The builders were asked to rate each of the constraints they identified on a scale of 1 to 10 [10 being the most binding]. They were encouraged to be realistic, and were asked to justify the ratings, thereby reducing the risk of random ratings. They were also reassured, before and during the interview, that their identity would be kept anonymous if they so desired.

The ratings in table 6.3 are the averaged ratings of 30 builders. The list indicates all of the (binding) constraints mentioned during the interviews. The ratings were not weighted by the size of the builder. If a constraint was rated 10, but was mentioned by only two builders it averaged a lower rating. It was assumed that if the other 28 builders did not mention it, it was not as binding. In most cases however the ratings were quite consistent¹¹⁸ (for Standard Deviations see table 6.3) perhaps because the builders in Chhattisgarh have been actively lobbying¹¹⁹ against “constraining regulations”. The builders seemed aware of both the opportunities available if an AH market develops, and the factors that constrain them from supplying it. The ongoing debates and discussions in CREDAI at the state and national levels might have contributed to such general awareness. Only 3 of the 11 constraints have a rating above 5; those are the most pressing.

The builders were also asked about the extent to which a particular constraint had to be addressed before the builder would consider entering the AH market, for instance: ‘In terms of taxation, how much reduction would allow them to enter this market?’. Or ‘In terms of the cost of land being reduced, how much would be adequate and in which ways could it be addressed?’. Tables 6.1 and 6.2 (See Appendix 6.1) present the calculations made/agreed upon by the builders during the interviews on how and where costs could be reduced.

The rating of each constraint is indicated in brackets.

1) AVAILABILITY OF LOW COST SERVICED LAND [9.43/10]

The constraint refers to serviced land. Un-serviced land in the outskirts of the city is available at (fairly) affordable prices, but invariably, such lands would require considerable investment on site servicing. Having made such investment, the builders would construct what brings in the most profit (Interviewee-02B, 2012). The builders made it clear that the price of the land should not be so high that the builder has to ‘economise unwisely’ on the quality of construction (Interviewee-20B, 2012).

The builders also pointed out that location matters for AH; and proximity to government schools, shops, open space, public transport, and workplace such as other high end residential complexes or markets is important. If a builder cannot provide housing in such an area, then the buyers will not be interested (Interviewees 20B and 13B, 2012).

¹¹⁸ In constraints where that is not the case, it has been duly mentioned.

¹¹⁹ During the course of the fieldwork CREDAI-CG hosted a workshop on ‘Housing for all’, wherein they came up with ‘5 recommendations to lower the cost of housing’. The builders’ questionnaire was amended to include questions on those recommendations.

The infrastructure development on-site [such as the internal roads, drainage, garden, and street lighting within the colony] is undertaken by the builders. However the off-site development¹²⁰ (building connecting roads, electrification, laying municipal water pipelines, developing drainage services that the builders could connect their internal drainage systems to) was considered by the builders to be a job for the government¹²¹.

Most builders were of the opinion that instead of creating new suburbs and developing infrastructure on the outskirts, a faster and cheaper solution would be land pooling¹²² in the existing slums, or letting the builders build (and sell EWS dwellings) on the 15% land that they are presently obliged to reserve for the EWS. In general however, the consensus was on the need for better practices in town planning to make land available.

Uncertainty about the availability of land reportedly forced the builders to operate on a higher the profit margin to enable them to buy land for future projects (land banking¹²³); implying that they could operate on lower profit margins if the availability of land was assured (Interviewee-12B, 2012).

While the building firms largely lay the blame on the government for 'pushing the housing prices even higher, because the burden of that 15% reservation falls on the others' (Interviewee-04B, 2012), they admit that the speculative house building¹²⁴ process plays a central role in the price rise (Interviewee-25B, 2012).

¹²⁰ Internal development is the responsibility of the colonizer; for external development the colonizer only has to deposit a prescribed amount (according to the area of the colony) with the Municipal body, whose responsibility it is to do external development within a prescribed time frame. The law requires that it should be utilized by the municipal body for this purpose only. However because the builders do not see such development coming up, the general assumption was that it has been used for some other purpose.

¹²¹ In accordance with the law.

¹²² The concept of land pooling/readjustment is to assemble small land parcels into a large land parcel, provide it with infrastructure in a planned manner and return the reconstituted land to the owners. Provision of infrastructure and services is financed by the sale of some of the plots within the area, often for commercial activities. The original landowners are provided plots within the reshaped area which, although smaller in size, now have access to infrastructure and services (UN-ESCAP, 1998). It is a unique approach to the resolution of slum eviction conflicts. The five basic requisites of land sharing are: 1) Community organization: Negotiations for land sharing require that slum dwellers organize to counter the threat of eviction, 2) A land sharing agreement: This requires a binding agreement to partition the land. Usually the land parcel with the best development potential is allocated to the landlord, 3) Densification: Re-housing the community in a smaller area requires increased residential densities (which is possible as most slums in CG are horizontal expansions), 4) Reconstruction: The increase in density and the need to clear part of the site usually necessitates the reconstruction of houses, 5) Capital investment: Reconstruction requires capital from the domestic savings of the residents or loans from outside sources (Angel & Boonyabancha, 1988) Also see: (Hong & Needham, 2007).

¹²³ Land banking, which involves buying stocks of development land well in advance, is the 'means by which firms ensure that land development profit made in the rest of the development process is not whittled away in the price they have to pay for land (Ball, 1983)'.

¹²⁴ Farmers and developers can also act as speculators by withholding their land from development waiting for higher prices. These landowners hold their land out of the current market so that land and building developers have to bypass it and homebuyers have to travel further afield to purchase new housing. This extra distance generates extra costs, by way of increased development, operating and travel costs. Land speculation also accelerates the rise in land values by the initial increase in speculative demand and the subsequent reduction in the effective supply of land for building, so that the current prices of home sites are increased (Archer, 1973).

2) GOVERNMENT APPROVAL PROCESS [6.43/10]

The total time for the approval process, starting with the registration (see Table 6.4 below), was between 18-26 months. The timeline was constructed in the first interview. In later interviews, the builders were asked to comment on parts of the timeline that they agree or disagree with. The timeline was confirmed by all the 30 builders as being fairly accurate. The general consensus was that the builders who were politically connected, had their papers in order, or had more resources to spend on bribes, and on manpower to regularly visit and wait outside governments offices, could get the approvals in about 18 months, while some of the smaller builders who lacked such resources could only get the approvals in about 26 months.

TABLE 6.4: TIMELINE REQUIRED FOR THE GOVERNMENT APPROVALS IN CHHATTISGARH

(SEE APPENDIX 6.3 FOR DETAILS OF EACH PROCESS)

SN	Process	Office	Time taken
1	Land registration	Office of the Registrar	1-2 days
2	Mutation	Office of the Tehsildar	1 month
3	Demarcation	Office of the Patwari	4 months
4	Layout approval	Town and Country Planning Unit	6 months – 1 years (sometimes more)
5	Diversion	Court of the Sub Divisional Officer (Revenue)	1-4 months
6	Nazul No Objection Certificate (NoC)	Nazul division	1-4 months (Diversion and Nazul NoC process can run in parallel)
7	Colony Development Permission	Municipality	4-6 months
8	Building approval	Zonal office	2 months

Source: Fieldwork

Additionally, if they are building a high rise block¹²⁵, they need permission from the High Rise Committee. Each of these steps involves several sub-steps. For example the Town and Country Planning unit, reportedly, has 26 check points to be approved by 9 separate departments (Interviewee-02B, 2012).

¹²⁵ At the time when the interview was recorded, High Rise was defined at 18 metres, a month later it was changed to 30 metres or above (2012).

There are numerous ways in which the 'delay in approvals' can act as a constraint. The foremost amongst them is that any delay gets translated into cost for the final buyer. These costs are the interest accrued on land, bribes (that is, directly monetary) and the hours and manpower involved in making multiple visits to these offices and waiting time in the lobbies (opportunity costs). Bharucha (2013) reports that bribe in smaller cities is around Rs. 65/ft², while in Mumbai, he claimed, the figure could be as much as Rs. 500/ft². Procuring just the basic civic clearances for a small plot in Dadar could apparently cost the developer Rs. 40 lac. While this cost can be borne by MIG/HIG housing sectors, it can render LIG/EWS housing non-viable.

Some [7/30] believe corruption among the lower bureaucrats significantly exacerbates the delays. It was reported (Interviewee-19B, 2012) that although the layout approval is given for the entire project, the building permission is granted in stages, whereby the government officials have intermittent checks to ensure that the building is being constructed in accordance with the plan. Such checks, the builders complained, were unnecessary: and that check should be made only after the project has been completed. These intermittent checks were reported to cause considerable delays¹²⁶ and provided opportunities to the government officials for bribe collection.

Quite a few (11/30) however, while accepting corruption as a problem, consider delays to be a complex of various issues like bureaucratic hurdles, resistance to change, red tape, too many departments controlling housing mandate and most importantly the issue of inadequate work-force.

3) RISK OF REDUCED DEMAND BECAUSE OF LACK OF ACCESS TO CREDIT FOR THE LOW INCOME BUYER [5.57/10]

This constraint presents risk and uncertainty concerning the demand for the housing supplied. While admitting that the constraint poses a risk, in the present scenario, and that addressing it would create stronger demand, the builders believe that currently there is enough demand among the EWS/LIG to sustain the business for the next 10 years (Interviewee-20B, 2012). In addition, almost all builders have their own instalment schemes¹²⁷, especially for clients who can afford to buy the house (such as the part-informal businessmen, truck drivers) but do not have the documents needed to secure a loan (Interviewee-22B, 2012; Interviewee-13B, 2012).

4) DUAL TAXATION & HIGH APPROVAL COST DUE TO BRIBES [3.43/10]

The construction sector is currently listed under both "industry" and "service sector" for taxation purposes. Hence, the construction firms have to pay the taxes liable for industry sector as well as an additional 12% service tax.

¹²⁶ As they would have to stop the construction, and re-engage the contractor after they are given the clearance to continue. The contractor meanwhile might be engaged elsewhere, which would further delay the process.

¹²⁷ Mortgage against the house. The buyers lose the house if they fail to pay the instalments. The demand is so high that they currently do not have a problem re-selling the property.

This was not rated high because opinion of the builders on the matter was divided. 13 builders mentioned it as a constraint, and 11 out of them rated it at 7 or above. However, 17 remaining builders did not mention it as a constraint. These said even if the taxes were lowered, they would not be able to enter the AH market unless the constraints of land, delays in approvals and credit were resolved. Also, that if those constraints were indeed resolved, they might be able to enter the AH market with the existing levels of taxes.

The contrasting opinion was that taxes are unduly heavy for the construction industry when compared to other sectors, with a new tax (VAT, and Service Tax, Excise) getting added to the real estate sector [see appendix 6.4 for a list of taxes] and with it a new department to collect it. This increases the amount spent on tax as well as on bribes for each different department (Interviewees 12B & 16B, 2012). High taxes and bribes were therefore grouped together as one supply constraint, as many feel that they go hand in hand.

5) NO CONTROL ON ESCALATION OF CONSTRUCTION COST [1.83/10]

Prior to construction, a cost estimate is prepared taking into account minor fluctuations in the market. However, by the time they get the approvals, the price estimates are no longer valid because of increase in prices of raw materials and the cost of construction. This makes it especially hard to plan and execute AH. In high-end markets, the increase in cost can normally be passed on to (and be absorbed by) the buyer. In contrast, the target buyers in AH are comfortable only in a firm-price market. One way to cope with input-price escalations is to curtail the gestation period of the project, before and during construction.

6) LOW FLOOR TO AREA RATIO [FAR – DENSITY MEASURE] [1.83/10]

Floor area ratio (FAR) indicates the ratio of a building's total floor area to the area of the land upon which it is built. In building-law, it refers to limits imposed on such a ratio. The FAR in Raipur ranges from 1-1.5 within the city to 2 in some areas in the outskirts. With a FAR of 2, the highest number of floors is 5+1, where the ground floor is usually used for parking. This according to the builders is very low for a densely populated and fast growing city. Higher FAR would mean more dwelling units per unit area of land, which would reduce the effect of high cost of land. However, there is a likelihood that the purchase price of the land would increase with the possible FAR, unless the land was bought long before the FAR was prescribed.

7) NO SOCIAL INFRASTRUCTURE DEVELOPMENT/TRANSPORT & CONNECTIVITY TO THE OUTSKIRTS [1.43/10]

Constraint # 1 refers to serviced land with off-site technical infrastructure, constraint # 7 refers to social infrastructure such as public transport, markets, schools, hospitals, and police stations.

The builders' most common complaint against government¹²⁸ is that the public resources are spent on building affordable housing rather than providing the infrastructure which would enable the builders to do so.

However, this constraint is rated low because the builders' assumption is that, if it becomes economically viable or profitable to build AH, social amenities will come up in due course. Each colony in Chhattisgarh reserves 6% of land to be developed for commercial purposes. These are commonly developed as a row of shops [occupied by small grocery shops, pharmacies, beauty salons, and eateries] along the colony's periphery and they usually rely on business from the colony. Similarly, private transport (auto-rickshaws), private schools and hospitals compensate for the lack of public services.

8) LABOUR SHORTAGE DUE TO SCHEMES LIKE M-NREGA AND FOOD SUBSIDIES [1.13/10]

Both government and private builders face labour [skilled and unskilled] shortages. CREDAI estimates that the current shortage of skilled workers in construction sector in India is 12 million (Iyer, 2012). There are no figures available on the shortage of unskilled labour. This shortage results in an erratic supply of labour, resulting in delays that ultimately increase the cost of construction. It also affects builders' ability to achieve economies of scale and mass produce AH, as construction work is not mechanised (Interviewee-05B, 2012).

The problem reportedly gets compounded because of government schemes in Chhattisgarh. The state subsidises food grains and provides it for near free (Rs. 2/kilo) to low income families. M-NREGA, a National Rural Employment Guarantee Scheme aims to arrest migration and raise the daily wages of casual labour. Majority of the construction workers are migrants and/or daily commuters from the villages, who can now secure work in their village at a higher wage. These two schemes have reportedly turned "a good worker into a lazy villager" (Interviewee-04B, 2012).

For the builders this means a shortage of migrant labour, and increased cost of labour which in turn has raised the cost of construction. Increased construction costs serve as a supply constraint for AH. However, a counter argument can also be made that it will raise the income of the labour and therefore their ability to buy housing.

Some (7/30) builders listed the labour shortage under 'issues but not constraints'. These builders were of the opinion that the construction industry will soon be mechanised¹²⁹ and the dependence on labour will be lowered.

9) GOVERNMENT SUPPLY OF AH LOWERS MARKET PRICE [1/10]

The CGHB builds AH and, being a government agency, enjoys certain privileges (in terms of subsidized land, certain exemptions¹³⁰ in statutory pre-requisites, slightly smoother and

¹²⁸ A point that appears in all the 30 interviews.

¹²⁹ In Raipur most builders still rely on manual labour carrying head-load supplies of concrete at construction sites, and on hand-mixing of concrete even for big construction projects. CREDAI is now looking to buy machinery, such as concrete pumps, cranes, diggers and other mechanized construction equipment which can be hired by local builders.

faster approval process) and sells its products on at-cost basis; all of which allows it to sell dwellings at prices lower than a commercial builder could. Also, CGHB liaises with other government agencies to provide subsidies from other schemes, with the result that most of the time the houses are sold substantially below the 'market price'. This, the builders believe, is a potential risk, as the buyers will not be interested in buying similar commodity for a higher (market) price.

Of the 30 builders, 11 said that as long as the Housing Board does not limit its housing to those who could probably never afford to buy [such as households currently (2012) earning below Rs. 4,500-5000 a month in Chhattisgarh], then, those who could afford to buy, will not want to pay a higher price for a house built commercially, because they might get a subsidized house from the CGHB.

Other builders (19/30) consider this 'an issue but not constraint'. The justification given was that if the major constraints such as land, approvals, credit and infrastructure were to be addressed and the builders could enter the AH sector profitably (Interviewee-04B, 2012), the government would not pose a serious competition as it caters only to a fraction of the demand (Interviewee-30B, 2012).

10) NON AVAILABILITY OF INSTITUTIONAL CREDIT AT LOW INTEREST RATES TO BUILDERS [0.93/10]

Builders have to pay a high rate of interest (15-18%)¹³¹ on business loans; this is reportedly a supply constraint. The builders launch the project as soon as they get the approvals and development/building permission. The buyers are then linked up to the bank associated with the project for granting personal home-loans which finances the project, but not all homes get sold at the launch of the housing project. Any delay while waiting for more funds increases the project cost. Therefore builders resort to a loan from private financiers at interest rates, which are "high" but less than lending rates of the banks. While, the bank's interest rate applies to all housing segments, in the case of AH, it serves as a constraint because the extra cost would render the dwelling unaffordable.

11) GOVERNMENT ALLOTMENT PROCESS FOR EWS HOMES, SALE NOT ALLOWED [0.73/10]

The EWS houses in Chhattisgarh, whether built by the government or the private builders, have to go through the District Collector for allotment¹³². Also, it is the government who sets the price.

When a new colony/development is launched, the developers need to call for applications, which are then scrutinised by a government committee set up for the process. After the

¹³⁰ For example, from registration as a coloniser under the Municipal Act.

¹³¹ The industries union in India is demanding 8% (Rizwanullah, 2013). Also see Figure 8.1 in Chapter 8 for comparison with other countries.

¹³² Guidelines for Affordable Housing in Partnership section 3.2 (b) states: The sale price of dwelling units should have an upper ceiling in terms of Rupees per square metre of carpet area. The price ceiling would be settled in consultation with the States/UTs [Union Territories] for different classes of cities (JNNURM, MoHUPA, 2009).

scrutiny, the committee selects the names of the individuals through a lottery system and finalises the list of names for allotment. As with all government bureaucratic processes there are delays in the process.

If a market were operating in AH, the government might consider scrapping the allotment process - this was the justification given by 5 builders who listed the allotment process under 'issues but not constraints'.

6.6 BUILDERS' PERCEPTION OF THE GOVERNMENT

After the discussion on individual constraints, the builders were asked some additional questions. For the answers see table 6.5.

TABLE 6.5: QUESTIONS ABOUT BUILDERS' PERCEPTION OF THE GOVERNMENT

Questions and Answers	Number of builders who agreed (out of 30)	Percent
• Do you think government is aware of these constraints? Yes	30	100
• Is it easy to address these constraints? Yes	13	43.3
• Is it easy to address these constraints? No	17	56.6
• Who in government is capable of addressing these constraints?		
1. The Municipality/Nagar Nigam head/Town and Country Planning Unit/Raipur Development Authority	8	26.6
2. Ministry of Housing and Environment + Urban Development and their respective Secretaries	13	43.3
3. Chief Minister	9	30
• Why are these issues not being addressed?		
1. Bureaucratic hurdles/ resistance/ red tape/difficult to change government processes/too many departments control this sector/inadequate staff	11	36.6
2. Government lacks vision/directionless policies, /Departments strayed from their primary objectives/Government not interested/serious/No Political Will	13	43.3
3. Corruption	7	23.3
4. Government lacks practical field knowledge / does not consult builders while making policies	6	20
5. Government does not want to be seen as supporting the builders/Government does not trust builders	2	6.6
6. Government wants to establish themselves as the largest builder/provider of affordable homes. CGHB is in it for profit.	1	3.3

The builders perceive neither the current rules as fair/justified nor the imposing authority legitimate. Their perception of the government authorities is of a rent seeking, corrupt and inefficient system that lacks clarity of purpose and coordination among its various departments. There is considerable trust deficit between the private builders and the government [bureaucrats and politicians]. This was especially evident in the reluctance of builders to deal with the government. When asked if they would prefer that the government could act, perhaps, as intermediary, buying the houses and selling them to the families under some sort of guarantee, the common view was that it would be nice to have a guarantee, but they would rather not deal with the government.

Moreover, builders feel that the government's efforts for tackling the growing housing shortage have been inadequate with '50% of Raipur living in slums' (Interviewee-03B, 2012). The CGHB is the main provider of AH, the role of private builders and other related government agencies [such as RDA, RMC] is considered largely to supplement the efforts of CGHB in increasing the supply. The builders perceive this as poor coordination and duplication of efforts, where every government agency associated with the sector is coming up with new subsidised house building schemes for EWS/LIG, instead of helping the builders achieve the goal of sufficient [in accordance with demand] AH stock. Government's preoccupation with building AH has, in the opinion of builders, resulted in neglect of providing much needed urban infrastructure.

The builders also complained about the lack of discussion/debate on issues like better town planning practices¹³³ (Interviewee-27B, 2012; Interviewee-12B, 2012), research on low cost technologies (Interviewee-9F, 2012), reconsidering taxation (Interviewee-02B, 2012; Interviewee-12B, 2012), and tackling labour shortage (Interviewee-24B, 2012).

Currently, town planning in Chhattisgarh cannot allocate land separately for HIG/MIG/LIG/EWS housing segments. That has been partly compensated for through inclusionary zoning where builders reserve land and housing for EWS/LIG. The ULBs are tasked to acquire the land, by paying the registered cost of land¹³⁴ to the builder. However, they but are short of funds to carry out this function (Interviewee-03B, 2012). The reservation, the builders claim, is only on paper; and the land turns into no-man's land because they are not allowed to develop it, and the government lacks the resources to acquire it.

The builders further complained that the town planning is not in keeping with the growing population (Interviewee-13B, 2012) and, that mechanisms such as high density norms, re-densification measures and land-pooling/land restructuring, if effectively used, could ease the stress on scarce resources such as land. Most builders who mentioned low density

¹³³ This basically protects the building land for affordable housing from competition thereby allowing for such construction to be a profitable enterprise.

¹³⁴ "They say at the registry cost, what about all the land that I inherited from my father, they will not pay anything for that? The land that builders have would be bought ages ago. If I bought it at Rs. 5 thousand 20 years back and waited all these year and now that it is worth Rs.5 lacs, they'll take it for 5K (Interviewee-05B, 2012)."

measures as a constraint were of the opinion that lower densities within the city limits constitute an inefficient use of land and can no longer be sustained.

Builders were asked what the government should be focusing on instead of building affordable homes - 93% answered infrastructure development, the other answers focussed on land/banking/tax/administrative reforms (table 6.6).

TABLE 6.6: BUILDERS' PERCEPTIONS OF WHAT THE GOVERNMENT SHOULD BE WORKING ON

Questions and Answers	Number of Builders who agreed (out of 30)	Percent
In your opinion government should be working on?		
Single window for approval	12	40
Land Law Reforms	11	36.6
Tax reforms	10	33.3
Better town planning. Technology such as GIS should be used, qualified technicians to be employed. Patwari maps are outdated and need to be updated	7	23.3
Change in government's attitude towards the builders community	7	23.3
Banking Reforms	5	16.6
RDA working on Infrastructure development and better access	28	93.3

6.7 CONCLUSION

The findings show that the builders view these institutional constraints as limiting the market in varying degrees. Many of these constraints are related;¹³⁵ for example, the availability of land is dependent on infrastructure development, and similarly, delay in the approval process is perhaps related to high bribes. Labour shortage arose from a seemingly unrelated rural employment generation scheme. These constraints are part of the social structure in which the market operates. Therefore while there are some constraints which are more binding than the others, they cannot be addressed in isolation.

The most important conclusion thus far is that the private builder can be an alternate source for supply of AH. It supports the hypothesis that in Chhattisgarh it would be profitable for

¹³⁵ It is not only that the institutional constraints on supply are related to each other, but also that they are related to the institutional constraints on demand. This second set of relationships is discussed in Chapter 8.

private builders to supply housing for many in the EWS/LIG sectors, with the existing levels of cost and incomes, if the institutions were altered.

7. EXPLORING MARKET OPTIONS: FACILITATORS' PERSPECTIVE

7.1 INTRODUCTION

This chapter reports the Facilitators'¹³⁶ perspective on: 1) their role in provision of AH in Chhattisgarh, 2) their perspective on the demand and supply constraints, and 3) their perception regarding the possibility of an AH market. It also reports the facilitators' opinions on the rationale for the current set of institutions, how easy or difficult it is to change these institutions, if need be; and who in their opinion is capable of addressing the various issues. Finally it reports their opinions on whether an AH market could arise if the institutions were different.

7.2 FIELDWORK

This analysis is based on 21 interviews of facilitators who are associated with the provision of AH in Chhattisgarh and 1 focused group discussion with the officials of highest state level authorities from State Bank of India (SBI). Facilitators include ministers, bureaucrats and high level government officials, bankers and heads of the various government and non-government organizations, urban elite and local politicians who have a direct or indirect bearing on AH in Chhattisgarh. The selection of respondents in this category was entirely purposive¹³⁷, based on their involvement with the provision of AH in Raipur. The respondents were categorized into the following four groups:

Group A – Housing and Environment Ministry

Group B – Ministry for Urban Development and Department of Revenue

Group C – Banks and other Financial Institutions

Group D – Others (which includes the State Planning Commission, State Finance Commission, PMU-JNNURM, NGO working on low cost housing techniques, and the State Chief Minister)

The highest level officials from each group were selected as interviewees. The interviews were sought by sending formal letters to their office, sometimes followed with a phone call. For the Chief Minister's interview, in addition, I had to seek the help of someone who knew the minister's chief of staff. All the interviews were conducted in their offices. The interviews varied in length from 30 minutes to nearly 2 hours. All the interviews and the group discussion were recorded (comments made off the record have been indicated as such) and transcribed. The interviews were conducted in English and Hindi.

¹³⁶ Appendix 7.4 provides a list of the facilitators who were interviewed.

¹³⁷ selection of critical actors - meaning those in which the "relations to be studied become especially clear (for example the opinion of the experts in the field) or those that are particularly important to understand the functioning" of the object under study (Flick, 2009)

7.3 FACILITATORS' PERSPECTIVE ON THE CONSTRAINTS

Facilitators were asked to respond to each of the demand and supply constraints. Their response was sought on three points:

1. Rating the constraints on a scale of 1-5, 1 being easy to address and 5 being difficult;
2. Who is capable of addressing it;
3. In their personal/professional opinion how best it can be addressed.

The dominant and minority views are reported in the text and in tables 7.1 and 7.2. However, sometimes the opinions on the matter were quite varied; therefore, the entire set of solutions given by facilitators on how to address the demand and supply constraints is presented in the appendix 7.3 (see tables 7.8 to 7.24).

7.3.1 DEMAND CONSTRAINTS

Table 7.1 summarises the facilitators' perspective on the demand constraints and presents the ratings for each constraint.

TABLE 7.1 FACILITATORS' PERSPECTIVE ON DEMAND CONSTRAINTS

SN	Demand constraint	How easy do you think it is to address this issue (on scale 1 – 5, 1 being easy)		Who is responsible for / capable of addressing it? (The most common answer) Mode	How, in your opinion? (The most common answer)
		Average rating	The most common answer (Mode)		
1	Non-availability of low cost homes	3	3 (6 people)	GoCG ¹³⁸ : 10	Zoning/Land pooling/Infrastructure development/Re-densification (Mode – 6 people)
2	Housing hunting is a time consuming process	2	1 (8 people)	GoCG : 10	Setting up camps near the slums/having offices open in the evening/Single window clearance (Mode – 10)

¹³⁸ By GoCG the reference is to the Minister concerned and the Secretary. In this case, it would be State Minister for Housing, and Principal Secretary, Housing.

3	Non availability of credit	3	1 (4 people)	GoI+RBI: 6 GoCG: 5	Change banks processes/Provide clear policy guidelines based on differential requirements for EWS/LIG for securing loans. (Mode – 16)
4	Trust issues: “We often get duped, or hear of others who were subject to fraud. We cannot afford such a big risk. We need some sort of guarantee.”	2	1 (5 people)	GoCG: 11	Channelize private sector homes through government/Joint ventures/set up government accreditation process for private builders (Mode – 10)
5	Third party Guarantor	3	5 (5 people)	GoCG: 7	They need to amend the rules (Mode – 8)
6	“We now live in (have encroached) a large area, but often the flats are too small for our families.”	3	3 (5 people)	EWS/LIG households: 11	The EWS/LIG households need to be more realistic about what they can afford. (Mode – 12)
7	“Even when we can afford the land/home, the registration process is lengthy and expensive. Not just the actual costs, we also have to pay everyone along the way.”	2	1 (6 people)	GoCG: 12	The slum dweller will never be able to go through all the processes on his own; the solution is to increase the supply of homes and then he needs to be assisted through the process of getting a flat. (Mode – 8)

1: Non availability of low cost homes

Some (10/19) facilitators interviewed were of the opinion that the responsibility for addressing this issue lies with the GoCG and that GoCG was capable of doing so. There were two clear reasons for the constraint being difficult to address: 1) a prerequisite for new housing was infrastructure development, which needed funding that was not available, and

2) any resolution involved coordination between various departments which is difficult (Interviewee-11F, 2012).

From the facilitators' point of view, the issue could be addressed by focusing on zoning, land pooling, infrastructure development, and re-densification. Some of the other solutions presented include developing appropriate low cost technology for housing; government working with the private builders on a PPP model; by making AH "bankable"¹³⁹; and increasing the outlay for housing. To some, especially in the government bureaucracy, the answer lies in making AH a political priority.

2: House-hunting is a time consuming process

Some of the facilitators (Interviewee-16F, 2012; Interviewee-04F, 2012) did not agree that this constrains the slum dwellers in particular, as the process is equally time consuming for everyone. However, on being reminded that a) the scarcity of AH could be worsening the situation and b) most slum dwellers do not enjoy the same level of security in their jobs as some of the tenured government officers or established businessmen, they changed their opinion, but only slightly. Almost all of the facilitators reiterated the point made by slum dwellers that this constraint was a result of not having enough homes.

If there were more AH, this constraint could be addressed by setting up mobile offices near the slums, having relevant offices open in the evenings and having single window clearance for the EWS/LIG.

3: Credit to buyers

A few (6/19) facilitators were of the opinion that the matters relating to credit rested with GoI and the Reserve Bank of India (RBI), while 5/19 facilitators opined that GoCG was quite capable of handling the issue. The other opinions were scattered between GoI, RBI, GoCG and various combinations [such as RBI+GoCG, GoI+GoCG]. The banks interviewed confirmed that while they do lend to the LIG/EWS households, it is only for government sponsored programmes, where the government agencies serve as the guarantor. They have no policy which allows them to lend to an LIG/EWS household without required [KYC¹⁴⁰] documentation.

While there was no common ground regarding how easy or difficult it was to address the issue, or who is responsible/best capable for addressing it, 16/19 respondents were of the same opinion when it came to making suggestions to address the constraint: changing the

¹³⁹ (Which actually means creating a market, but when asked the idea was explained as: lowering the barriers for entry and creating incentive in a way that private builders can make a decent profit)

¹⁴⁰ KYC is an acronym for "Know your Customer", a term used for customer identification process, and requires identity and address proof. KYC guidelines are meant to prevent banks being used, intentionally or unintentionally for money laundering. See (RBI, 2005) for more.

banks' processes and providing clear policy guidelines based on a separate set of requirements for EWS/LIG for securing loans.

The participants in Focussed Group Discussion stressed the need for credit to be provided in the form of a mortgage, with alternative processes for proof of identity. One such example is the "Easy KYC" process which was introduced for rural clients, wherein the head of village council certifies that the applicant is a resident of the village, in place of documents such as utility bills or passport. Suggestions were also made to link housing programmes to employment schemes to ensure repayments. With public sector banks, an additional issue is that the officer who sanctions a loan has a personal responsibility¹⁴¹ toward its repayment. Bank Officers' federations have been agitating against this, but banks fear that if this rule is abolished, then it may usher in reckless lending and unscrupulous practices¹⁴². This personal responsibility stops bank officers (not banks) from lending to the poor.

The private banks, however, have a different perspective on the issue. They opined that bringing in a policy guideline will not really increase the access to credit because the decisions concerning lending practices are business decisions involving risk trade-offs (Interviewee-15F, 2012).

Some facilitators (Interviewee-12F, 2012), not from banking and financial institutions, emphasised that establishing identity and address proofs cannot be taken casually. Most slum dwellers live in houses which are not numbered, or have no specific postal addresses. India is now working on establishing a personal identity system similar to the social security number in the US¹⁴³.

4: Trust issues

Demand constraints 3a and 3b were combined during the facilitators' interviews. Both referred to the slum dwellers not trusting the private builders with their money, and that in case of conflict, the chances of the slum dweller losing his money are higher because the builders are more powerful.

Just two facilitators did not perceive this as a constraint, given that the slum dwellers are involved in informal land trade, where the risk is higher. Others tended to agree with the slum dweller not trusting the private builder. This illustrates the government officials' lack of trust for the private builders.

The facilitators' suggestions on how to address the issue were nearly unanimous: almost all spoke of the need for channelizing private sector dwellings through government, setting up joint ventures, and/or a government accreditation process for private builders.

¹⁴¹ Each officer has his own loan portfolio and it is his responsibility to ensure there are no bad debts.

¹⁴² Mentioned off the record.

¹⁴³ Unique Identification Authority of India

5: Third Party Guarantor

Ratings for this constraint were diverse; as were the replies regarding whose responsibility it is to address the issue, and suggestions on how it needs to be resolved. For its own housing projects, CGHB has taken the initiative of being the third party guarantor for its EWS/LIG clients. When the policy was initially introduced, it failed because the slum dwellers were used to getting their loans waived, so they expected that they could stop paying. However it is now being re-introduced with some changes, wherein the bank is responsible for dealing with loan defaults (Interviewee-3F, 2012).

CGHB does not yet act as a third party guarantor for the private housing market for EWS/LIG. Also, it was clarified that while public sector banks ask for a guarantor, it is not a necessity. Private Banks do not require a guarantor for extending credit.

6: The flats are too small and the houses are of poor quality

There were three sets of opinion regarding this constraint. The first opinion was that the slum dwellers are living on illegal land; and the issue is not with quality of housing but a resistance to change (Interviewee-20F, 2012). The second opinion was that the slum dweller was living on illegal land in unhygienic conditions and therefore any property that is made available has to be better (Interviewees - 04F, 17F, 2012). The third opinion was that while 300 ft² is rather small for a family to live in and should perhaps be increased, the new offering will be better than their current living situation (Interviewees - 8F, 16F, 2012).

Facilitators, irrespective of the above opinions, agreed that under present circumstances the only possible solution is that the slum dweller be more realistic about what is affordable.

When it was mentioned that the slum dwellers' idea of houses in the formal sector are based on government housing, the facilitators mentioned that this was because the Government calculates the unit cost of the dwelling based on limited budgetary allocations and the need to cover as many beneficiaries as they can. The unit costs are therefore kept at a minimum or often "lower than what the realistic cost ought to be" (Interviewee-8F, 2012). This, in their opinion, is why the housing has often been found "lacking...in terms of quality" (Interviewee-8F, 2012). The facilitators (Interviewee-20F, 2012) mentioned that often the land that is available for low income housing needs considerable investment¹⁴⁴ before housing can be constructed thereby reducing the budget meant for the house.

7: Expensive and lengthy registration process

While there was a wide range of ratings about how easy or difficult it is to address this constraint, there seemed to be a clear idea as to whose responsibility it was. 12/19

¹⁴⁴ Referring to the case of CHGB housing colonies in Saddu which were flooded by the monsoon rains, they (Interviewee-20F, 2012) mentioned that raising the plinth level was decided against before construction as it would have increased the cost of housing; a decision which in hindsight seemed wrong.

respondents thought that GoCG was capable of addressing the issue. Some (Interviewee-18F, 2012) considered it a matter of educating slum dwellers, as most seemed unaware of the new reforms. Others (Interviewee-16F, 2012) thought that the slum dwellers were trying to offer frivolous arguments for justifying their staying in the slums. However, almost all of them pointed out that the solution lies in increasing the supply of homes.

7.3.2 SUPPLY CONSTRAINTS

TABLE 7.2 THE FACILITATORS' PERSPECTIVE ON SUPPLY CONSTRAINTS.

SN	List of Supply Constraints	How easy do you think it is to address this issue? [on a scale of 1-5, 1 being the easiest]		Who is capable of addressing it? (Based on Mode)	How? (In your opinion) (Based on Mode)
		Average Rating	The most common answer		
1	Availability of low cost Land	3.8	Mode 5 (10 people)	GoCG – 12 people	Zoning/Land pooling/Infrastructure development/re-densification (Mode – 7)
2	Tedious Approval Process	2.5	Mode 3 (7 people)	GoCG - 17	Simplify and streamline the process, but with caution/Set time limits on each process and make it online (Mode – 16)
3	Credit facilities to buyers	Same as answered in demand constraint 3			
4	High Taxation/ High approval fees	2.3	Mode – 1 (7 people)	GoCG - 6	They can exempt it for EWS/LIG segment or have a differential taxation (Mode – 18)
5	No Check on Escalation of Construction	3.5	Mode - 5 (8 people)	Builder - 12	There is no solution to that, they just have to live with it and include such unexpected

	Cost				rise in price while planning. (Mode - 11)
6	No Infrastructure Development /Transport & Connectivity	3.38	Mode - 5 (5 people)	GoCG – 14	The state is facing the issue of lack of funds, but they should organize for funds or let in the private investment. Lack of funds cannot be an excuse forever. (Mode - 14)
7	Low FAR	2.22	Mode - 1 (7 people)	GoCG - 18	It is a matter of changing the archaic laws. (Mode - 18)
8	Labour Issues due to schemes like M-NREGA and food subsidies	2.97	Mode - 4 (4 people)	Private Builder - 7	Go for mechanized ways (Mode - 8)
9	CGHB as a privileged market player upsets level playing ground	1.5	Mode - 1 (6 people)	Private Builder - 8	There is plenty of demand in spite of what CGHB is building (Mode - 9)
10	Bank finance to builders at high interest rates	2	Mode - 1 (5 people)	RBI and the Banks -7	The interest can be lowered on a case to case basis if and when the builders construct EWS/LIG housing (Mode - 14)
11	Allotment process for EWS homes	1.33	Mode - 1 (6 people)	GoCG - 13	For now there needs to be a check, but this is a self-resolving issue once the stock is abundant. (Mode - 14)

1: Availability of Low Cost Serviced Land

All of the interviewed facilitators considered this an important and rather hard to address constraint (See table 7.2 for ratings). Most people (12) believed that the responsibility for addressing the constraint lay with the GoCG, as land is a matter for the State.

The most common suggestion for making more land available was using a mix of zoning/land-pooling/infrastructure-development/re-densification measures. Other suggestions included development of appropriate low cost building technology; planning for optimum use of the available land; exploring joint venture/PPP model as the builders, in their opinion, have large land banks; making the AH profitable so that private sector takes over; and increasing the budget for land development. Awareness of ways in which the availability of land could possibly be increased did not seem to be of much help in actually resolving the constraint, because even if infrastructure development were to increase the supply of land, reserving large tracts of land for AH would be met with severe opposition from other sections of the society.

Most facilitators held that CGHB was responsible for providing AH, and given that 85% of the houses built by CGHB were for EWS/LIG, they were capably addressing the issue.

2: Government Approval Process

It was duly acknowledged that being a government entity did not make the process of getting the approvals any easier (Interviewee-01F, 2012).

The point highlighted by builders was corroborated by the facilitators, that the housing development in Raipur takes place in a fragmented manner, which makes it harder to approve building plans. For example, Raipur, not unlike other cities in India, does not have a citywide underground drainage system, road connectivity and related infrastructure. Not having a city-wide drainage network or a clear set of guidelines that indicate how and where the drainage/sewerage lines should be connected makes it difficult to plan development and to approve such plans. The city has developed in a haphazard way; therefore, it is rather difficult to come up with guidelines at this stage. Not having a clear set of guidelines means the government authorities have to use their own judgement in approving the plans, which causes much of the delay (Interviewees 04F, 18F and 3F, 2012).

Each respondent who discussed this constraint was of the opinion that addressing it was the responsibility of GoCG. Suggestions were quite unanimous - set time limits on each process and put information online, simplify and streamline the process, but with caution because the authorities are aware of the limits of their policing and enforcement capabilities.

3: Risk of reduced demand because of lack of access to credit for the low income buyer

This point was raised not only by the demanders but also by the suppliers. The latter – the builders – were understandably reluctant to supply to demanders who might not be able to raise the credit necessary for buying. The facilitators pointed out that the issue of credit had already been discussed under demand constraints.

4: High Taxation/ High approval fees

This constraint in most facilitators' opinion (Mode 1, 7 facilitators) was easy to address because there is hardly any tax that is being generated out of the AH sector (Interviewee-8F, 2012). Most AH construction in the formal sector is undertaken by the government, and the EWS/LIG are, in any case, outside the ambit of income tax.

Others however were of the opinion that it would be hard to monitor and enforce tax exemptions in AH, and because tax is a source of revenue for the government, any discussion on such matters becomes long drawn (Interviewee-16F, 2012).

While opinions on whose responsibility it was to address the constraint differed, suggestions on how to address the constraint were unanimous. All 18 facilitators who discussed the constraint were of the opinion that there should be a system of differential taxation that incentivises building AH for EWS/LIG, as the social costs of AH shortage is very high.

5: No control on escalation of construction cost

Most respondents understood the risk involved and how it constrained the supply. However, it was explained that neither the GoI/GoCG nor any other authority has been able to do much about it in a free market, and that many contributing factors such as poor macro-economic management lead to a high inflation rate (Interviewee-7F, 2012).

Giving the example of one state which tried to put “curbs on the free market”¹⁴⁵, it was further explained that the problem with such systems is that due to low policing and enforcement capacity of the government, “frauds creep in...and corrupts the intention” (Interviewee-18F, 2012). Ensuring that the exemptions and subsidies claimed by the builders are genuine is clearly a difficult task for the government.

Comparisons were also drawn with conditional privatisation of building toll-bridges/highway, where government provides a subsidy guarantee to hedge the risk of private builders. Facilitators suggested that since provision of AH is primarily the government's responsibility and that GoCG/GoI should consider similar approaches (Interviewee-12F, 2012).

¹⁴⁵ The state had introduced a levy process in which the taxes were exempted and certain percent of production was given for EWS/LIG housing, estimated/measured in quantitative terms. The process was similar to cross taxation, with exemptions at the lower ends that was added on to the higher ends.

In spite of these suggestions, the majority (12/18) were of the opinion that the builders will have to rework their plans to factor in the risk.

6: No Infrastructure Development/Transport & Connectivity to the outskirts

There are various government agencies that appear to be working on infrastructure development in urban areas – Raipur Development Authority (RDA), Raipur Municipal Corporation (RMC), and the State Urban Development Agency (SUDA) among others. A look at their budgets, current and past projects, reveals that most of these are building dwellings in parallel to those built by CGHB or associated in some ways with a slum re-development project. None of them are building new infrastructure for the city.

Most facilitators who discussed the constraint agreed that it is constraining the supply of AH, and that RDA had “utterly failed” in playing its intended role (Interviewee-18F, 2012).

RDA in its defence blames lack of funds for not being able to undertake infrastructure development. Chapter 2 describes reforms undertaken in line with the World Bank’s revised strategy for financing urban infrastructure projects and the failure of those reforms. 14/18 facilitators agreed that addressing this constraint is GoCG’s responsibility and that it is capable of doing so.

Those who differed were of the opinion that, according to the reforms and the new forms of governance (74th CAA), the municipality should be responsible for addressing these issues (Interviewee-12F, 2012). The municipality, incidentally, claimed that they are responsible only for maintaining the already built infrastructure, and that building new infrastructure does not fall in their remit (Interviewee-5F, 2012).

There was no clear consensus about who is responsible for building new infrastructure.

7: Low ‘Floor to Area Ratio’ [FAR – density measure]

This constraint was rated by some (7) as easy to address. All the facilitators who discussed the constraint agreed that it is the responsibility of the GoCG. All of them also agreed that it was a matter of changing outdated rules in keeping with the increase in population. However, on being asked why it has not been implemented if it is so easy, there were varying responses. Some believed that it was mostly a case of continuation of archaic rules (Interviewee-11F, 2012). Others opined that the government’s concern is that the city does not have adequate infrastructure (such as roads, water supply, hospitals, schools) to deal with higher densities (Interviewees 5F, 12F, 2012).

Most facilitators were aware that the city is already supporting a higher population than what the infrastructure was planned for, but also that government could not responsibly increase the density measure without appropriate infrastructure first being put in place.

8: Labour shortage due to schemes like M-NREGA and food subsidies

While all the facilitators admitted that there was a shortage of labour, opinions were divided on whether or not it should be considered a supply constraint and whether the cause was schemes like M-NREGA and food subsidies. The rating for the constraint varied. Some of the facilitators asserted that part of the problem had been addressed by government undertaking large scale training for masons (bricklayers) (Interviewee-11F, 2012), while others acknowledged that these are complicated issues with no easy answers (Interviewee-2F, 2012).

Amongst those who did regard shortage of labour as a supply constraint, most (7) were of the opinion that the private builder should be addressing the constraint on his own. The most (8) common suggestion was to change to mechanized construction. Both government agencies and CREDAI reported that they are looking into areas of construction which can be mechanized, and into the use of ready-mix concrete and pre-fabricated construction materials as a viable alternative to conventional labour-intensive building practices.

9: CGHB is an advantaged market player, distorting the market

The government's premise for CGHB is that, when the housing market was privatised, the builders ended up servicing only the MIG/HIG. The most (8) common opinion was that government agencies building homes simply does not have a significant effect, as the supply compared to the demand is grossly inadequate (Interviewee-16F, 2012). A minority opinion was that there is a need to provide a level playing field if the private sector investment was desired (Interviewee-8F, 2012).

10: Bank finance to builders at "high" interest rates

Facilitators had conflicting opinions. Some were of the opinion that it is not a constraint at all (Interviewees - 15F & 18F, 2012). Others were only fleetingly aware of the prevailing interest rates and were of the opinion that they could be lowered, keeping in mind the social costs of such measures (Interviewee-8F, 2012). Some others found it hard to comment on matters that they were unaware of (Interviewee-04F, 2012).

Irrespective of whether the constraint had to be addressed by RBI, Finance Ministry, GOI or the builders, it was rated as being easy to resolve (Mode 1, 5 Facilitators; Average - 2). The most (14) common solution suggested was that the interest could be lowered if and when the builders construct EWS/LIG housing, on a case to case basis, ensuring that the interest subsidy given to EWS/LIG projects is not misused. But the facilitators were also aware that doing so would increase paperwork and would probably mean additional checks being introduced.

11: Allotment process for EWS homes routed through the Collector's office

Currently, if the private builders are to build EWS dwellings, they cannot sell them in the open market. The builders find this rule constraining because the allotment of dwellings is a time consuming process. Opinions on rating this constraint were divided.

The delay was reportedly because of other priorities that the Collector (who is currently in charge of the allotments) has (Interviewee-5F, 2012), and therefore it was suggested that the government should appoint a special officer in charge of only the allotments (Interviewee-8F, 2012). Yet others (14/18) were of the opinion that at present there needs to be a check and that once enough housing stock for EWS/LIG was available, there would be no need for it. It was considered to be a “self-resolving issue”, which need not be addressed specifically (Interviewee-18F, 2012).

7.4 THE DESIRABILITY OF A FORMAL MARKET FOR AH

When asked, if the government could actually fulfil the housing needs of the EWS/LIG without private sector participation, most facilitators (17/19) answered that government on its own will probably not be able to provide ‘housing for all’, and thought of private sector participation in the provision of AH as “indispensable”.

However, some answers were focussed on the resolve of GoCG, who were “determined” (Interviewee-19F, 2012) and “capable of building as many homes as need be”, irrespective of whether or not the private sector join in (Interviewee-2F, 2012). Understood in context, this is not a case of pitting the state against the builders instead of enabling them, but rather a political statement establishing the presence of a resolute state that prioritises the issues of the poor. These responses can be better understood by relating them to the Government’s [GoI and GoCG] current (2004) policy ‘Housing for All’. The stated aim of GoCG’s housing policy is “to ensure dwellings with necessary support infrastructure for all its citizens in the next ten years”, while “focusing on the housing needs of the poor”. However there is no clear road map that shows how the target of “housing for all” is going to be achieved within the decade.

The CGHB is the implementing agency for the national housing policy, and about 80-85% of the houses CGHB builds are for EWS/LIG. Limited resources and the need to generate funds from the market, has led CGHB to cross-subsidise¹⁴⁶ by also building homes for HIG/MIG. Some facilitators, both within the government and outside, firmly stated that based on this model the government is capable of providing ‘housing for all’, provided 1) they were to increase the budget for AH, and 2) availability of land was ensured (Interviewee-16F, 2F and 9F, 2012). Decisions regarding both are reportedly not theirs to make.

¹⁴⁶ This cross-subsidy model rescued and revamped several public sector housing agencies in India, which were earlier on the verge of being closed down due to lack of government funding to undertake subsidised housing construction for low income groups.

The facilitators (13/17) who considered private sector participation as desirable were of the opinion that a private market needs to be facilitated; however, they were less clear on what “facilitation” entailed. Some responded, rather unenthusiastically, that efforts to seek private sector participation through mandatory zoning and other measures have had limited success (Interviewees 11F and 4F, 2012).

Even the facilitators (14/19) who considered a private AH market for EWS/LIG a possibility had their doubts. When asked if they had any reservations about a private market, 5/19 facilitators, who did not foresee a private AH market coming together for EWS/LIG, gave three main reasons. Some of these concerns were shared even by those who were of the opinion that such a market could be built.

- 1) There is a strong dependency syndrome among the slum dwellers because of the current government subsidies.
- 2) That the slum dwellers like staying in the slums among their community and enjoy living on free or encroached land.
- 3) Private builders are only interested in serving the rich because of the higher rate of return.

The facilitators were asked if there were any additional constraints/factors that they consider important, that had not been covered by our earlier discussion, 16/19 facilitators opined that land and credit were the two biggest constraints, but some additional factors brought up include:

- 1) Ignorance of the extent of demand and buying power of the EWS/LIG.
- 2) While lack of Infrastructure was covered as a constraint, the facilitators thought that the lack of funds/resources to build infrastructure was not highlighted enough, and it could possibly be a critical factor when considering a market proposition.
- 3) Private builders’ insistence on 30% (or higher) profit margin.

While a majority (10/19) considered the supply and demand constraints that were discussed to be exhaustive, some pointed out that a pre-requisite for such structural changes would be a change in attitudes amongst everyone concerned – the slum dwellers, the builders, as well as the facilitators: and that, they mentioned, is harder to come by (Interviewee-3F, 2012).

7.5 CONCLUSION

This chapter reported the perspectives of the facilitators, whose co-ordinated efforts are required to address the constraints. However, their diverse views [also see Tables 7.8 to 7.24] on the issues indicate that awareness about the constraints is uneven and that there has been no systematic discussion on the matter. This in turn indicates that the idea of creating a AH market is not an approach that Chhattisgarh was considering when it envisioned and drew up the implementation plan for its ‘housing for all’ policy.

The facilitators come from varying backgrounds: finance and banking, administration, urban planning, political leaders, cabinet ministers and other government officials. It is to be expected that their opinions and responses are influenced by their diverse concerns. Their opinions are strong about constraints that directly concern them, and neutral about others.

For certain constraints such as labour issues and lengthy approval process, most of the facilitators agree on who needs to address them, but not on how it needs to be addressed. For other constraints such as low FAR, high taxation or infrastructure development there is a consensus on how they need to be addressed but not on who should be taking the responsibility.

The variety of opinions did not always correspond to the differing roles that the interviewees play. For example: not all government officials from one ministry seemed to have similar opinions; neither did all banking officials share a view. This could also be because in the Indian Administrative Services, the officers are transferred to different roles from time to time¹⁴⁷, so the previous postings might influence their position.

The variety of opinions among the facilitators about the need for and feasibility of a private AH market, coupled with their critical attitude to both the demanders and the suppliers in that market, make it challenging to change public policy in this respect. The position of the demanders was fairly uniform (see Chapter 5), as was that of the suppliers (see Chapter 6). However, in order to make a market, it is the facilitators who have to enable change.

This is also indicative of a lack of institutional structure that specifically addresses the problem of AH. The analysis establishes that in Chhattisgarh AH is considered a 'shared responsibility': there are several organisations employed in providing AH, and no one 'owns' the problem of ensuring 'affordable housing for all' as inherent in the housing policy of Chhattisgarh.

The next chapter brings the multiple points of view together, outlining the requirements for a new SHP as well as the necessary pre-requisites for building an affordable housing market.

¹⁴⁷ For example, three days after the interview with the District Collector in charge of matters relating to revenue and land, he was made the Commissioner, Urban Development.

8. DISCUSSION

8.1 INTRODUCTION

A common view about the EWS/LIG in India is that they live in the slums because they cannot afford to buy or rent decent dwellings in the formal market. Nevertheless, there have been studies as far back as the late 1990s¹⁴⁸ that suggest that a section of the slum population can afford to pay something for housing (implying that they could pay a monthly rent, and/or pay for services such as water and garbage disposal). However, it was not clear whether some slum households could indeed buy a house. This was because the earlier studies did not take the institutional context into account: they did not consider the possibility that under a different set of institutions a) the costs of AH could be reduced and b) that slum households could get access to credit. The earlier studies therefore focussed only on how much money the households were able and willing to spend monthly on water services, pay toilets, or other civic services. Probably because the slum households did not have access to credit, those studies did not question whether or not the households could afford an initial deposit and the monthly instalments at current market¹⁴⁹ interest rates.

This study was therefore conducted to explore whether there is a potential for an AH market and if so, the reasons why the formal private sector does not tap it. The notion that it is not sufficiently profitable for the private builders is partly based on the impression that slum dwellers cannot afford to pay for their housing. However, this ignores the institutional structure of markets and how that can affect market outcomes. An alternative approach was taken to test the first hypothesis: *that existing institutional arrangements act to prevent the emergence of an AH market in Raipur*; implying that alternative institutional arrangements could facilitate such a market.

This entailed two steps –

- 1) Empirically testing how much the EWS/LIG population in Raipur could pay towards buying an AH, and whether such a house that satisfies their needs could be built in Raipur within their budget.
- 2) Identifying the institutions that constrained an AH market in Raipur, in order to examine whether any of the existing institutions could be changed in a way that an AH market could come together.

There is a complex of institutions which affect a particular outcome. Furthermore, those institutions interact and are connected in a structure that reproduces an expected set of behaviour from the actors¹⁵⁰. Hence, in addition to identifying the separate institutional constraints, it is necessary to understand the interaction among these institutions. With regards to the institutions and actors involved in the process of housing provision in Raipur,

¹⁴⁸ See Chapter 2.

¹⁴⁹ 12% - as charged by commercial banks for housing loans.

¹⁵⁰ This process, called institutionalization, is vital in society for creating expected outcomes out of routine interactions.

this implies that they relate with and reinforce each other, resulting in a structure of institutions that is regulating the current housing provision. In order to examine this, Ball's (1983) *Structure of Housing Provision* (SHP) was used. This led to a second hypothesis for the study: *housing institutions interact with each other, with the implication that changing one institutional factor would lead to other institutional changes, with uncertain consequences.*

The discussion on the first hypothesis is structured in terms of Institutions, Property Rights and Transaction Cost; the theoretical concepts from NIE which helped in analysing the research findings. Also, the findings from this research are complemented by comparing them with the findings from other studies.

The discussion on the second hypothesis presents an argument on how the routine interactions between the institutions and actors involved in housing provision in Raipur have been institutionalised, resulting in two SHPs (one for the AH provided by the government and, one for the housing market operating informally).

Finally, the implications for housing policy are discussed. This shows that the current situation is recognised by the government as being unacceptable, but in spite of policy initiatives to improve it, the changes have had little impact. An explanation for this 'institutional inertia' is offered in terms of the culture of clientelism.

In both sections 8.2 and 8.3, the underlying theme is that the institutions are interconnected in complex ways, and therefore changing one institutional factor would lead to other institutional changes, with unpredictable consequences.

8.2 RESEARCH HYPOTHESIS 1

EXISTING INSTITUTIONAL ARRANGEMENTS ACT TO PREVENT THE EMERGENCE OF AH MARKET IN RAIPUR

In order to research this hypothesis, the first point to be empirically tested was the capacity of EWS/LIG households living in slums to pay the full costs for an AH. This was investigated, and it was found that many households living in slums of Raipur said they could afford to do so; they were considered prospective customers for AH. Their capacity to buy was assessed on two hypothetical model houses¹⁵¹. The calculation of the initial deposit (20%) and monthly instalment was based on current (2012) market interest rates for housing loans. A random sample survey, of 211 households from 21 slums spread across the RMC area, revealed that more than 50% of the surveyed slum households indicated a willingness and ability to buy 'decent AH' under current levels of income, if such houses were available (for details see Chapter 5).

¹⁵¹ The ft² for these homes was according to the minimum standards prescribed by the government. The price was arrived at by adding inflation to the standard government 2008 price. The word hypothetical denotes no such homes were built in reality.

Other research supports this finding. Monitor Deloitte, in its industry report on *State of the Low Income Housing Market in India* (2013) claims: As per well accepted industry (housing and real estate) metrics, a typical household¹⁵² can afford a house up to forty times their monthly income. Using this metric, these segments (LIG/EWS) can afford to buy a house between Rs. 6-10 lac (USD 11,000-18,000)¹⁵³ and Rs. 4-6 lac (USD 7,300-11,000) respectively. While that report is based on the revised definition of EWS/LIG (GoI revised the income brackets in Sept 2012) and their study was not conducted in Raipur¹⁵⁴, this claim is in line with the findings of this research.

The next step was to determine whether it is commercially feasible to build the 'hypothetical house' [300 ft² EWS dwelling with an estimated price Rs. 300,000 (\$5500, @ \$1=Rs.55)] used in the slum survey.

This was investigated through the random interviews of 30 developers/builders currently working in Raipur. The individual estimates of these 30 builders for building a 300 ft² EWS home¹⁵⁵ at current prices (2012) averaged at Rs. 4 lac, 7 thousand (USD 7,500 @ \$1=Rs.55). This estimate was made under the current set of government regulations and exceeded what the EWS families reported they could afford.

However, under an alternate set of regulations (for exact percentages and more details see appendix 6.1), the builders estimated that the cost could be reduced by almost 27%. This brings down the cost of an EWS dwelling to just under Rs. 3 lacs¹⁵⁶ (including Builders' estimated profit margin) which is equal to the price of the 'hypothetical model house'. The suggested changes in rules which would bring down the cost include:

1. Increasing the density norms;
2. Categorizing the construction sector exclusively as an industry and thereby reducing the double taxation. Currently, the construction sector is listed both under the 'industry' and 'service' sector. This has resulted in dual taxation (for details – see supply constraints, chapter 6).
3. Encouraging the planning and execution of large scale projects to reap the economies of scale.
4. Providing incentives such as TDR, which would make a certain amount of additional built up area available in an alternative location (preferably in a HIG segment) in lieu of either the area relinquished for EWS/LIG or of housing built for EWS/LIG. That way, the builder can either use the extra built up area himself or sell it to another in need of the extra built up area (see Appendix 9.1).

¹⁵² Housing Affordability has to be always measured on a sliding scale as two families with the same income but with different family size might not have the same affordability.

¹⁵³ 1USD = Rs. 55

¹⁵⁴ This study was a pan-India scan (22 cities) of the LIH market and tracked progress corresponding to a 30 month period from Dec 2007 to May 2010. It was later supplemented by a second round of fieldwork from Jun 2011-Jan 2013.

¹⁵⁵ This was a rough estimate as nearly 1/4th of the cost of building a house was the cost of land which varies widely.

¹⁵⁶ Rs. 297, 100 to be precise.

These four changes could make it financially viable to build the hypothetical model houses. This, along with other examples given by an NGO in Raipur (Interviewee-9F, 2012) which is currently building (under an alternative set of rules) such dwellings at prices well within Rs.3 lacs (approximately USD 5,450), led us to conclude that the ‘hypothetical housing models’ could in practice be built.

Additional changes in rules such as faster approvals, transparent and preferably online procedures that would reduce the transaction cost for the builder, could bring down the cost further. Ensuring adequate supply of serviced land for AH for the next five years would further reduce the transaction costs that the builders incur in searching for and verifying the land for development.

While there are no recent academic studies on the subject, industry reports (Agarwal, Jain, & Karamchandani, 2013) concur that: “given current land and construction costs, it is possible for private builders to build houses at these price-points [Rs.4-6 lacs] and cater to a housing market of 13-15 million units which is potentially worth Rs. 8.5-9.5 lac crore (USD 155-170 Billion)”.

Having demonstrated that - 1) a section of the slum population could afford to buy an AH, and 2) it is economically viable for the builders to supply housing at rates affordable for a section of the slum population, the subsequent step involved identifying the demand and supply constraints (reported in Chapter 5 & 6 respectively). The following section will discuss those constraints, and other findings from the chapters, using the theoretical concepts of – institutions (regulations), property rights, and transaction costs.

8.2.1 INSTITUTIONS (REGULATIONS), PROPERTY RIGHTS AND TRANSACTION COSTS

The following institutional constraints (on both supply and demand sides) to an AH market were identified -

1. Insecure property rights affect the ability of the EWS/LIG living in slums to secure credit for buying the house due to lack of proof of address. Also, it lowers their trust in real estate dealings and makes house-hunting difficult due to insecure employment.
2. Insecure property rights increase transaction costs because of the time needed to verify that the property is free from dispute. High transaction costs facing builders/developers are also the result of lengthy approval process, bribes and high taxation policy as well as complex regulations that cause avoidable delays.
3. Accumulated complex regulations reduce the enforcement capacity of the government. This combination of complexity and uncertainty of enforcement further feeds the cycle of insecure property rights that increase the transaction cost.

The sub-headings used in this section refer to the activities which are hindered by the identified institutional constraints.

Credit for purchasing the house

The current institutions make it difficult for a low income household to get formal credit; and its non-availability (as noted in chapter 5) is undoubtedly one of the biggest¹⁵⁷ demand constraints. Credit for incremental house construction or repairs is more easily available in the informal credit market. However, there are two major problems with informal credit:

- 1) It is only available in small amounts, so it cannot be used to buy a house in the formal market. Even for major repairs, the person has to borrow from multiple sources to cover the cost.
- 2) Credit from money lenders usually has a very high interest¹⁵⁸ rate, which means that households cannot afford long term loans from them.

Lack of necessary documents for identification, proof of address and of a source of income which can be verified on paper, mean that the EWS/LIG households living in the slums are unable to access loans in the formal credit market. India does not have social security numbers for its citizen. In the absence of such a system, alternative ways of providing a credible identity and proof of address need to be considered. The difficulty in getting credit manifests as ineffective demand among low income households, which was rated the third most binding supply constraint.

The Reserve Bank of India (RBI) categorises housing amongst the six priority sectors and has mandated that 40% of a bank's disbursements cater for mortgages. However, in spite of this, lending to the lower segments of the society (loans of up to Rs. 5 lacs) constituted just 22.75% of the total lending to housing sector in 2010 (Cushman & Wakefield, 2014), and almost all of mortgages are likely to have been taken as part of the government housing schemes for the EWS/LIG. This is because most households who earn less than Rs. 5 lacs, and are not formally employed, do not have access to formal credit.

The facilitators [16/19 respondents including those from banking sector] were largely of the view that the government could reduce the regulatory guidelines for lending to the EWS/LIG, as it has done on numerous occasions for rural residents. For rural residents, a letter from the head of the village council establishing the identity and proof of residence of the person in the village is accepted by the bank for lending purposes. However, a few of the facilitators [3/19] were of the opinion that the bank needs the present rules in order to control indiscreet lending. New forms of risk assessment for credit are being advocated by Monitor Group (Deb, Karamchandani, & Singh, 2010) in India. In this, the evidence on which the banks rely is collected through a more qualitative field-based approach that involves detailed interviews with the customer and their neighbours, and observing them at their business to get an estimate of the average cash inflow and outflow. The objective is to triangulate and benchmark estimates in order to build a database of the incomes of

¹⁵⁷ The biggest reported constraint being non-availability of AH.

¹⁵⁸ Simple interest of 60% per annum (see Chapter 5 for details).

informal sector occupations in different localities. The banks themselves, while acknowledging the potential size of a mortgage market for low income housing, are sceptical about such alternative methods because of high processing costs.

GoI brought in the Street Vendors (Protection of Livelihood and Regulation of Street Vending) Act, in 2014 to regulate street vendors in public areas and protect their rights. As part of the Act, a certificate of vending and designated vending spaces will be granted to all street vendors. Similar policies for other occupations in the informal sector might help in establishing their status as informally employed. Unique Identification Authority of India (UIDAI) set up in 2009 is providing an identification document (UID) to each resident across the country, on the lines of US social security number. This might help the urban poor in securing formal credit.

Having the money to pay for their deposit and the monthly instalment, but not having access to formal credit, is fuelling both the informal credit market and, in some ways, an informal land market. Not having access to formal credit and lack of avenues for investment encourages risky investments in the informal land market. People engage in such deals being fully aware that the transaction is not legal; that property claims cannot be challenged in a court of law, nor can disputes be settled legally. This is partly because they see other people in the neighbourhood profiting from such deals, and in part because of the good salesmanship of the broker [*dalal*].

Trust in real estate dealing

This constraint is rather wide ranging. The slum households had heard rumours of people being cheated and losing “their entire life savings”, and were deterred by such stories. While the informants realized that stories of informal dealing did not necessarily apply to the formal market, they did not have much faith in the formal system either. If the house was not delivered in a state that was promised, they feel that they would not have the wherewithal and the confidence to defend their claims in a court¹⁵⁹. Possession of a certified document does not always provide them with the necessary sense of security about their investments. However, they have greater confidence in houses built by government agencies and are not averse to buying them.

The builders often construct a model house, set a price for it, and then start taking bookings for the project using that as the model house, two or three years prior to the actual construction. However, because of delays for approvals¹⁶⁰, labour shortage, and price rise, they are not able to keep to their promised price, and that gets reflected in either the

¹⁵⁹ While there is a requirement for builders to meet a certain standard, the monitoring and enforcement of such standards is often times lacking.

¹⁶⁰ Even when the planning permission is granted for the entire project, the building permission is given in stages. For example: the building has 6 floors planned, the layout is approved fees charged for all 6 floors, with the permission to construct 2 or 3 floors. After the construction of 3 floors, a fresh application has to be put in to seek permission for building the remaining floors.

quality of the house or price escalation, sometimes both. The government builders, because of the subsidy, are in a better position to deal with such cost escalations. While the private builders attributed such issues to a difficult business environment, most facilitators [19/22] tended to agree with the perspective of EWS/LIG, accusing the private builder of less than honest trade practices. This, in their opinion, justified the need for lengthy approval process and intermittent checks even after the approval had been granted. It was difficult to assess whether the checks are indeed conducted, or whether they are signed off by accepting bribes without due process, as no builder would admit to his building being signed off without proper inspection. This issue of distrust on the one hand deters EWS/LIG living in slums buying from the private builders, and on the other hand clearly raises transaction costs because of lengthy approvals.

House hunting

Most households (183/211) reported their inability to go house-hunting as one of the demand constraints. Indeed, verifying that a property is free of dispute, fulfils their needs, and is affordable is a time consuming task. Most of the EWS/LIG households surveyed in slums work in the informal sector with no paid leave or job security; leaving their job to go house-hunting would not only result in loss of pay/income, it might even mean losing their job. A SNDT – ILO study¹⁶¹ on Mumbai found that around 85 per cent of the street vendors complained of stress related diseases – migraine, hyper acidity, hyper tension and high blood pressure - largely because of the insecure working conditions.

The builders were of the opinion that the difficulties with house hunting are due to the absence of a formal AH market. Most builders said they would advertise and operate booking offices in the slums that are open in late evenings to service their clients, and even organise transport for site viewings; ensuring that their potential clients are aware of their supply and have a chance to view it.

The government facilitators had varying opinions. There were some who said that EWS/LIG living in slums, like everyone else looking for a house, will have to make time and effort in order to secure a home that meets their needs. Others mentioned that it would not be a huge task for government agencies building homes to run advertisements in slums or even a bus service; high demand for AH currently warrants no such need. The constraint was stated as an effect of not having enough housing stock, as scarcity increases the time required for the search.

¹⁶¹ A Mimeograph quoted in WIEGO (NA); Bhowmik (2001)

Getting approval to build

Transaction cost with regard to real estate development was analysed in terms of the time taken to get the approvals for building construction. A timeline of the approval process was charted, starting with the registration as the first step.

The total time, as estimated by each builder interviewed, was 18-26 months. The general consensus was that the builders who were politically connected, or had more resources to spend on bribes, could get the approvals in about 18-20 months, while those lacking such resources could only get the approvals in about 24-26 months.

The builders clearly view the delays as a constraint. Some¹⁶² believe that corruption significantly exacerbates delays, others¹⁶³, while accepting corruption as a problem, consider the delays to be caused largely by a complex of issues such as bureaucratic hurdles, resistance to change, red tape, stockpiling of rules and regulations, too many departments controlling housing, and most importantly an inefficient and inadequate work-force in government.

The government facilitators, accepting the timeline as being realistic, defend the procedures as necessary, and delays as unavoidable. They are of the opinion that the procedures are required to check, process and control private interests. The classic statement was: "In spite of all these checks and balances, there are so many cases of illegal constructions..." (Interviewee-16F, 2012).

In August 2012, during fieldwork it became clear that the government is aware of these issues and is currently working on an audit of the approval process. This audit was on the 'simplifying transactions' agenda of the second Administrative Reforms Commission, GoI¹⁶⁴. The recommendations of the commission focus on simplifying transactions, adopting the 'single window' approach, minimising hierarchical tiers and stipulating time limits for disposal. The Commission further recommends that the existing Departmental Manuals and Codes should be thoroughly reviewed and simplified, using precise terms, and that phrases such as 'left to the discretion of', 'as far as possible', 'suitable decision may be taken' should be avoided in all rules and regulations governing issue of permissions/licences. It also encourages the principle of 'positive silence' in regards to permissions/licences: after the time limit, if the licence has not been given, it should be deemed to have been granted.

¹⁶² 7/30 builders (23.3%)

¹⁶³ 11/30 builders (36.6%)

¹⁶⁴ The Administrative Reforms Commission or ARC is the committee appointed by the Government of India for giving recommendations for reviewing the public administration system of India. The first ARC was established on 5 January 1966. The Second Administrative Reforms Commission (ARC) was constituted on 31 August 2005, for preparing a detailed blueprint for revamping the public administrative system.

Delay in approvals acts as a constraint because it gets translated into cost for the final buyer. This cost can be in terms of the interest accrued on the loans taken out to cover the costs of land purchase or construction, bribes and fees involved in actually getting the approval, or the hours and manpower involved in office visits and waiting time in the lobbies (opportunity costs). While this cost can be borne by MIG and HIG housing sectors, it can render LIG/EWS housing non-viable.

Buying the completed building

Corruption increases the transaction cost incurred when buying and registering the sale of the house. The EWS/LIG households [165/211] mentioned the registration of property as expensive, largely due to bribes. While most people had never attempted to register a property, their perception is not baseless. Studies on corruption and bribery faced by slum dwellers in India suggest that the problem¹⁶⁵ is acute, rampant and worsening (Paul & Shah, 1997; CMS Transparency, 2012; Hugi, 2012; Panchu & Rastogi, 2013).

The building industry – taxation regulations

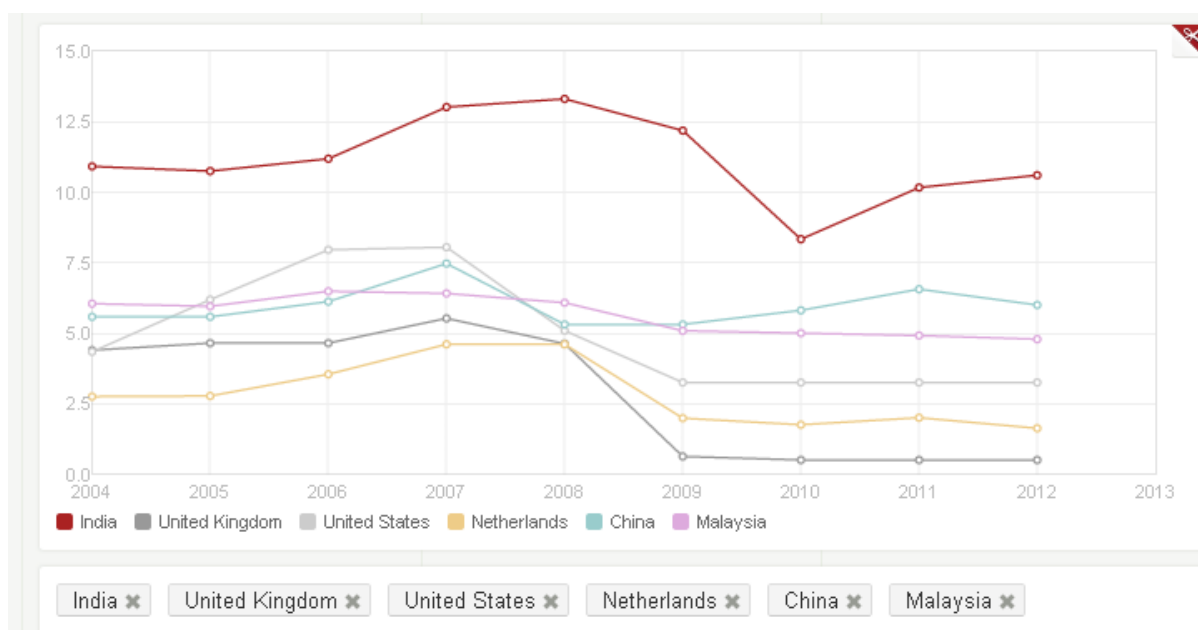
The recommendations of the Working Group on Construction Sector (2011) are that high taxation at both the input stage (construction material, equipment and land and services) and at the process stage (work contract tax), along with the sectoral classification and definition of construction industry as ‘Industry’ as well as ‘Service’ for taxation purposes, are supply constraints and need to be addressed. This is in agreement with the findings of this study. The working group recommendations have not been implemented yet.

World Bank’s ‘Doing Business in India’ (2009) reports that property owners and builders resort to strategies to avoid property taxes, such as evading registration or using long-term leases, transfers under court decrees, and cooperative housing. Such practices, while legal, contribute further to the already muddled land administration and cadastral system in India.

Credit for the builders

The construction industry’s lack of easy access to institutional sources of finance serves as a major supply constraint. The Working Group on Construction Sector for Planning Commission for 2012-17 reported that small contractors who lack a strong financial base and access to any kind of institutional support execute over 90% of all construction works. A majority of these contractors employ their own funds or borrow money from the market, at the rate of 30% p.a. or higher, leading to higher project costs and therefore higher costs of production (2011).

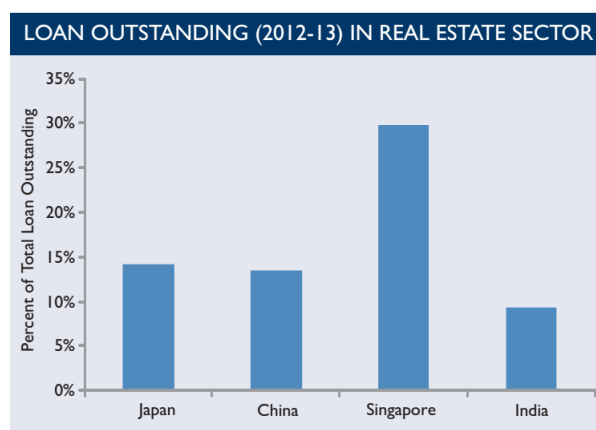
¹⁶⁵ The CMS study (2012), found that three out of every four slum dwellers claimed they were asked to pay a bribe to receive at least one of the following three public services: distribution of food rations or free kerosene; healthcare; and municipal services such as public sanitation and waste removal in the 12 months prior to the survey. About 35% of slum dwellers reported that they have been denied services at least once because they could not pay a bribe.



Source: World Bank

FIGURE 8.1 LENDING INTEREST RATE (%) GRAPH COMPARING INDIA'S INTEREST RATES WITH OTHER COUNTRIES¹⁶⁶

The high interest rate and under-lending by banks are mutually reinforcing, which makes it difficult to identify the primary cause (if any). For example, high interest rates deter builders from taking bank loans. This results in under-lending. Under-lending, along with high Non Performing Assets (NPA)¹⁶⁷, lead to banks having high operating costs, which they cover by setting high interest rates (See figure 8.1). This leads to further under-lending by these banks. To take another example, banks with a large existing stock of NPA naturally attract more public scrutiny. This makes their loan officers adopt a more conservative stance, leading to under-lending (Banerjee, Cole, & Duflo, 2003).



Source: Cushman & Wakefield Research

FIGURE 8.2 LOAN OUTSTANDING IN REAL ESTATE SECTOR IN INDIA (2012-13)

Banerjee, Cole, & Duflo (2003) further found results that provide “definite evidence of very substantial under-lending with some firms clearly having the capacity to absorb much more capital at high rates of return”. While their study considered firms in various sectors, the

¹⁶⁶ The Lending Interest Rate is the bank rate that usually meets the short- and medium-term financing needs of the private sector. This rate is normally differentiated according to creditworthiness of borrowers and objectives of financing. The terms and conditions attached to these rates differ by country, however, limiting their comparability.

¹⁶⁷ A non-performing loan is a loan that is in default or close to being in default. Many loans become non-performing after being in default for 90 days, but this can depend on the contract terms.

RBI's data estimates that the credit deployment by banks to the construction sector in India has been 2.3% of the total industry credit deployment during 2012-13, and has been in the range of 2.5-3.5% in the last five years. This study cannot assess what the portion of credit deployment for construction and real estate sector should be in India. However, in comparison to other countries, India's credit deployment (or loan outstanding) to the real estate sector is well below 9% (See Figure 8.2) (Cushman & Wakefield, 2014).

The issue described by the builders as 'high interest rate' is related to the under lending. Lack of clear definition and the status of construction sector not being categorised as "Industry", means the builders cannot have access to the sectoral loans. After the nationalisation of the Banks¹⁶⁸, lending to certain sectors (such as Agriculture, Small Scale Industries and Weaker Sections collectively known as Priority Sector) was emphasised by the Government. Under this, sectoral and sub-sectoral targets are laid down from time to time, with the aim of encouraging the sectors that were considered in need of investment in order to bring about a more balanced development. Construction firms are currently not categorised as "industry" by RBI. This means that banks/financial institutions engaged in the field of housing/urban development restrict loans to construction firms. The construction firms are subject to high loan provisioning requirements¹⁶⁹ and need collateral to secure funding.

Banerjee, Cole, & Duflo (2003) investigated why many firms in India seem to be starved of credit and found the following:

1. Banks seem remarkably reluctant to adjust lending decisions: in two-thirds of the cases, there was no change in the nominal loan amount from year to year. While the rules are indeed rigid, this inertia goes substantially beyond what the rules dictate.
2. Loan enhancement is unrelated to profits. Loan officers' indifference to profits means there is no emphasis on the need to identify profitable borrowers. Worse, the lending officers fear prosecution as it is very easy to be charged with corruption if loans default. Therefore they are more concerned about not making bad loans and not appearing corrupt, than finding profitable opportunities.
3. Bankers preferred to make risk-free loans to the government, rather than exert the effort to screen and monitor borrowers. Since bankers face, at best, weak rewards for making successful loans, bankers may prefer to simply approve past loan limits, rather than take a new decision.

¹⁶⁸ The Government of India nationalised the 14 largest commercial banks in 1969, and 6 more in 1980. In the early 1990s, the then government embarked on a policy of liberalisation, licensing a small number of private banks. Today, there are government banks, private banks and foreign banks. However, they are all regulated by the RBI to various extents.

¹⁶⁹ The loan accounts in Indian Banks are classified into four categories. Out of these four categories, the following three categories are considered as NPAs or defaults - (a) Sub-standard Assets, (b) Doubtful Assets, (c) Loss Assets. The fourth category of loan accounts, which is not included in NPA category is Standard Assets. Standard Asset is one which does not disclose any problems and which carries only normal risk attached to the business. The asset classification is for the purpose of computing the amount of provision that needs to be made with respect to bank advances. In December 2010 RBI (Circular No. DBOD.No.BP.BC.69/08.12.001/2010-11) declared housing and construction loans as high risk and the standard asset provisioning on the outstanding amount was increased from 0.40 per cent to 2.00 per cent.

Their study concluded that credit in India does not necessarily flow to those who have the greatest use for it, and recommended making lending rules more responsive to profit projections.

Government supply affecting the housing market

Currently, government agencies provide subsidised housing to EWS/LIG¹⁷⁰. This poses a risk for the builders, who wonder if there would be enough demand for similar property at the regular market price. Largely, the facilitators agreed that the government provision depresses the 'regular' market price, reducing the return to private builders. However, the facilitators consider this to be serving as a check for the private sector "greed". Some, were "surprised" it be seen as a check, given the government provision serves only a fraction of the demand.

Some academic studies support this view. Sengupta & Tipple (2007) refute the assumption that public sector interventions hold back the private housing sector. They are of the opinion that housing need in cities of developing countries is so enormous that the private housing market is neither threatened nor undermined by investments in public housing. Giving a corollary to their argument, they state, that the housing market's predominant actor has been, and will remain, the private (both formal and informal) developers and that the issue of 'control' over housing market does not arise. Giving the example of Kolkata, they state that a gigantic market to house the city's over 15 million people is needed. This certainly points towards huge potential for both private and public housing providers to operate in the market without threatening each other's existence and continuation.

Restrictions on selling the dwellings

Under current arrangements, if the builders are to construct EWS dwellings on 15% of their land that is reserved for the purpose, an additional constraint is that they are not allowed to sell them in the open market. The allotment process through the collector's office is another source of delay. While the facilitators agree that the system of checks is not perfect, they still feel that the check needs to be in place when the housing stock is so low.

There were also cases reported by the facilitators (Interviewee-04F, 2012), where the builders were given the permission to sell the LIG houses in the open market by accepting an affidavit from the buyer regarding their income levels. The requirements of the house were based on minimum criteria, in terms of area [500 ft²] and basic amenities. The government assumed that the builders would follow the bare minimum requirements and that no one other than the slum dwellers would be interested in living in such small homes.

¹⁷⁰ Sengupta & Tipple (2007) have documented a similar story of the public housing agencies in Kolkata which seem to be operating on market principles; even where they are not involved with private partners, the public housing agencies are in the market to make profits (even if they don't call it profits), like any other real estate developers, rather than building for low-income people.

The sale price was not fixed by the government in this case. The builders instead built high-class studio apartments following the area requirements and sold them to students from wealthy families. The students could sign an affidavit of earning within the specified limits.

Accumulation of regulations

The lawmakers are constantly trying to “plug the loopholes with small amendments” (Interviewee-20F, 2012), and this results in the accumulation of regulations which are beyond the capacity of the government to monitor and enforce. Low levels of monitoring and enforcement mean these regulations are seen by builders as challenges to be surmounted rather than rules that need to be followed (See Appendix 6.5 for an elaborate example). Some government officials reported that it is the same with the slum dweller who, being aware of the low monitoring capacity, tries to maximise the benefit he gets from the government. The rules tend to be followed on a selective basis, specifically where chances of getting caught are high, and the penalty is higher than the cost of following the regulation. For example, a builder might not dare to start a construction project without due approvals even if it takes 2 years to get the approval, but having acquired the approvals he changes the plans internally with the hope that it goes un-noticed.

Complicated accumulated regulations in an environment of insecure property rights and low overall enforcement increases the transaction cost for both the builders and the government (in terms of resources needed to police, monitor and implement the system), rendering the AH market too costly to operate.

8.2.2 CONCLUSION

The above discussion on the institutional constraints has argued that high transaction cost, insecure property rights and complex regulations contribute considerably towards making formal AH inaccessible to the urban poor and unviable for builders. Therefore, the hypothesis that *existing institutional arrangements act to prevent the emergence of AH market in Raipur* is not rejected.

However, the discussion also highlighted that the constraints are not isolated, but interact and influence other constraints. As shown in figure 8.3, the influence is multidirectional which makes it hard to establish a cause-effect relationship if one should want to tackle the causes. This reinforces the status-quo. In this way, the above discussion sets a backdrop for the second part of the discussion that focusses on the interaction amongst the institutions and actors.

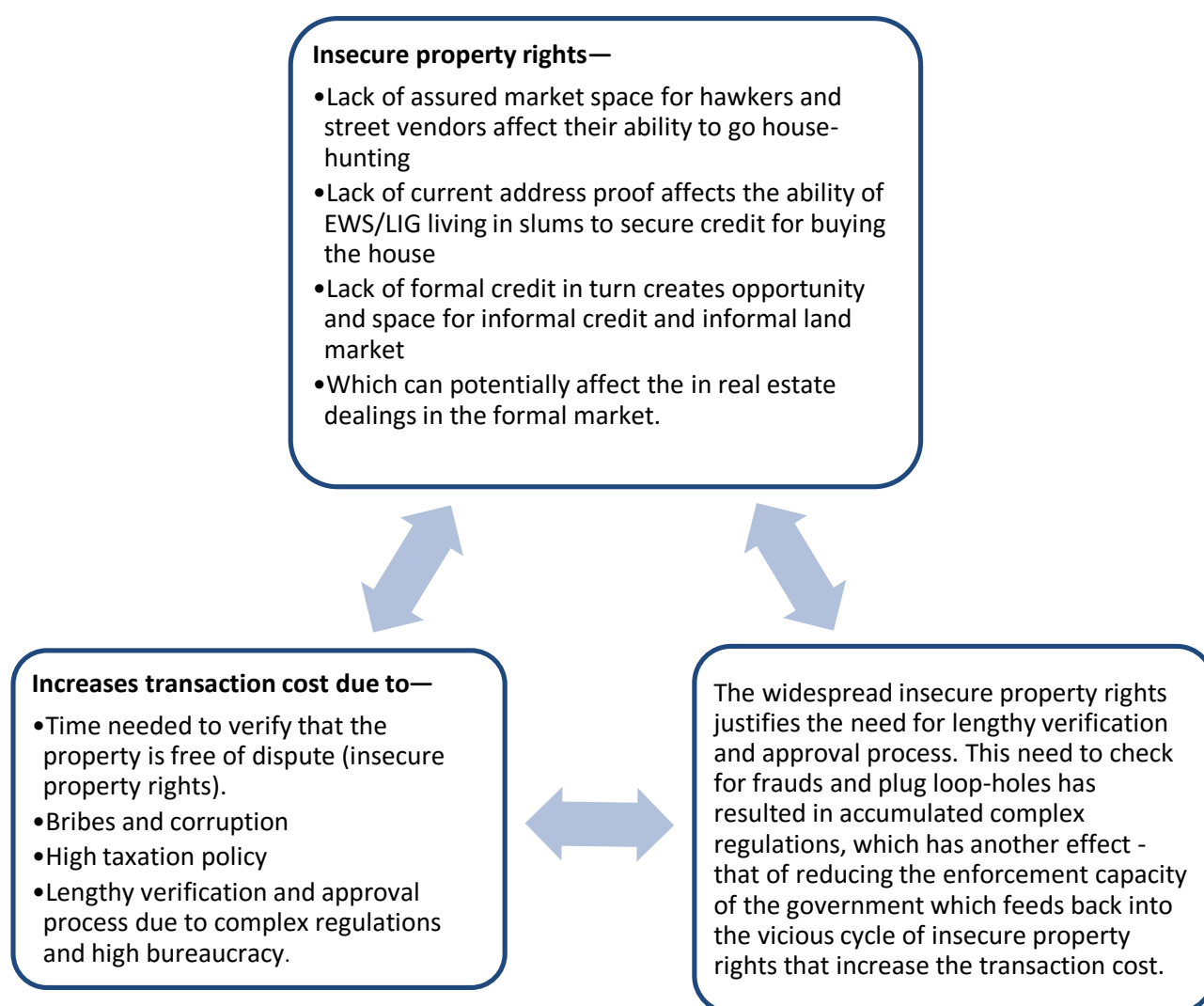


FIGURE 8.3: CYCLICAL INTERACTION OF THE CONSTRAINTS

8.3 RESEARCH HYPOTHESIS 2

THE INSTITUTIONS AND ACTORS INVOLVED IN THE PROCESS OF HOUSING PROVISION IN RAIPUR INTERACT WITH EACH OTHER, WITH THE IMPLICATION THAT CHANGING ONE INSTITUTIONAL FACTOR WOULD LEAD TO OTHER INSTITUTIONAL CHANGES, WITH UNCERTAIN CONSEQUENCES.

Section 8.3.1 argues that, unlike other studies which focus on individual key constraints as being critical (see appendix 8.1), it is vital to understand the relationship between the institutional constraints. The next section 8.3.2 demonstrates how the actors involved in the provision of housing relate to each other and how these working relationships have institutionalised into two separate SHPs.

8.3.1 UNDERSTANDING THE RELATIONSHIP BETWEEN THE VARIOUS CONSTRAINTS

This study has identified several institutional constraints to the demand for and supply of AH in Raipur¹⁷¹, and some of these are mentioned in industry and government reports (See Appendix 8.1) on AH in India. However, in contrast to what the studies listed in Appendix 8.1 say or imply, these constraints cannot be addressed in isolation as they are not independent of each other. There are many instances of interdependence. Credit is a demand constraint; however it leads to a supply constraint of ineffective demand. Another example is of public provision of housing lowering the market price of such housing. Slum upgrading and slum clearance programmes both affect the demand. Similarly, a national employment generation scheme for rural areas is said to have resulted in a shortage of casual labour in urban centres. Lack of access to credit among the EWS/LIG households in slums, who can afford to pay for housing, leads to a vibrant informal land market. And being cheated in informal land markets, can lead to low confidence in the real estate sector in general.

These constraints are often the result of complex institutional arrangements, therefore solutions which would work in a different institutional context might not work here. For example: the issue of credit cannot be resolved just by setting up institutions which supply loans at low interest rates. In case of the slum survey in Raipur, the monthly instalments for the mortgage were based on current (2012) market rate of 12%, and many households could afford to buy at that interest rate. Slum households who could afford to buy did not need interest subsidy. They were however unable to access loans because they did not have proof of identity and address.

The constraints are not just related to each other, they are connected to the other components of the system (meaning not just the SHP). For example: while lowering of taxes is desired to facilitate an AH market, it would affect the government's revenue stream. Such decisions therefore need to be taken after making a comprehensive socio-economic cost-benefit analysis.

¹⁷¹ The findings are reported in Chapters 5 and 6 on demand and supply constraints respectively. The facilitators' perspective on these constraints is reported in Chapter 7.

8.3.2 THE SITUATION HAS BEEN INSTITUTIONALISED INTO TWO SEPARATE SHP'S

The actors and institutions interact and are connected in a structure which is reproducing outcomes in terms of expected behaviour. The resultant structure of housing provision (SHP) is fairly stable¹⁷².

The ways in which a poor household can get housing are either informal or formal. If we analyse this using the additional information gathered by the surveys, we can identify two SHPs operating in Raipur, as follows:

Informal SHP operating in the slums

An immigrant into the city (Raipur) looking for work usually comes from his village, alone. Sometimes, the oldest son (15-16 years) accompanies him. He lives in shared rooms with a common kitchenette (usually a stove in the corner with some pots/pans to cook and jars/tin to store food). He usually finds work in the factories on the outskirts of the city, and finds somewhere to live in the villages nearby (for example, the shared rooms in Gondwara). These households/immigrants would still have family living in the villages and usually send money back home. They are sometimes seasonal migrants, but most of the recent immigrants into the city had, according to the survey, not gone back home in over a year (sometimes over 2-3 years). Most of the older migrants in various slums informed us that after around 5 years, if they are still working, they bring in their families and look for more permanent accommodation.

Alternatively, especially if the immigrant knows somebody in the city (an ex-villager, who has now migrated to the city), he/she sells off their house/land in the village and migrates with the family.

Depending on the location and the land prices in the informal market, they buy, rent or sometimes occupy the land. It was reported that due to the increasing density and demand in the informal market the new immigrants cannot find free land for squatting. "The old-timers", as they called themselves, informed us that when they came into the city (20-35 years ago) they occupied public land for free by filling up the low-lying marshy ponds. This was hard work and they could only do it after their day job. Most of the *old timers* therefore feel entitled to the land that they had "created". The new comers, who had migrated in the last 10 years or so, mostly had to buy or rent their house.

The older houses built of temporary materials were often rebuilt and expanded to suit the needs of a growing family. Extensions are reportedly easily rentable and always in demand, as is most other housing and land. The monthly rents vary from Rs.800-1200 (\$14-20) while houses depending on size and location are sold for anywhere between Rs. 50,000 to 12 lacs (\$900 - \$20,000).

¹⁷² In unstable economies with changing governments and policies, or in economies affected by war/disaster, it is likely that there is no stable structure for housing provision.

Informal land brokers assist the EWS/LIG households living in slums to buy and sell property. It is bought largely with cash but also with the help of informal credit. Figure 8.4 details the informal housing provision mechanism along with the actors involved. One striking aspect of the SHP for informal land/housing market is how closely it mirrors a typical market SHP in the formal sector (see Chapter 3, Figure 3.1), as the process of exchange is fundamentally the same. Another striking aspect of the SHP is that it is co-ordinated without any dependence on formal contracts or formal enforcement and dispute redressal mechanism.

Informal enforcement mechanisms include putting pressure on the person concerned. Flexibility in payment/contract (an alternate piece of land) was the most widely used redressal mechanism, and there were no incidents reported of violence and/or violent threats.

The goods being traded in the informal land/housing market is unsecured access to a land/house or, in other words a 'right to squat'. The land parcels/housing lack basic infrastructure and amenities, and the buyers do not possess legally enforceable titles. These titles are honoured by the community, but not by the government. If the government clears the slum, or builds a new project on the land, the slum dwellers may or may not be compensated by the government. The government is not legally obliged to compensate the slum dwellers for the encroachments (although they often do so as a political favour). The buyers, therefore, are paying a price without any insurance or security for their investment. The government's intervention in the form of slum upgrading programmes has provided selective basic infrastructure in some areas, and those lands cost more than ones which do not have any amenities.

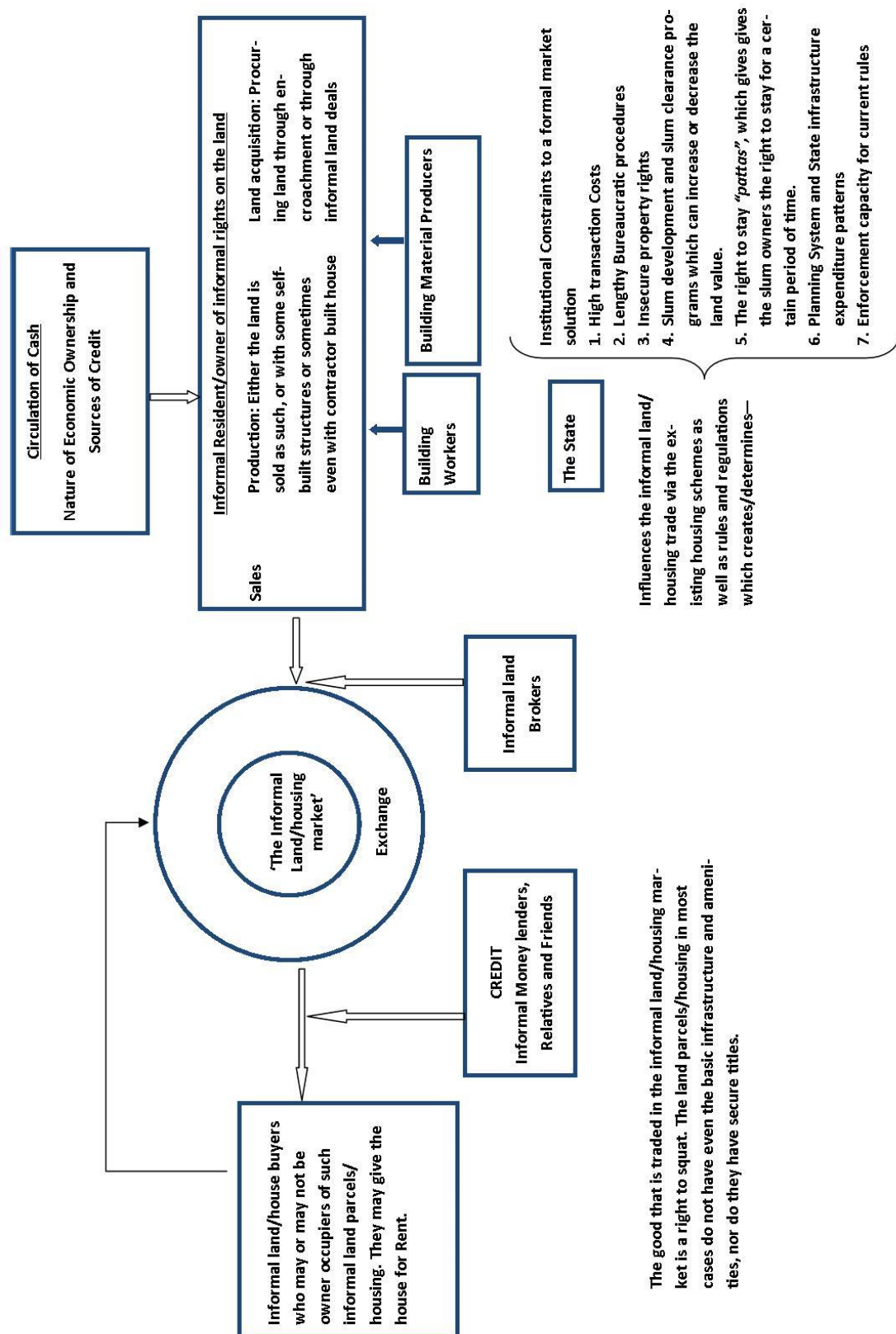


FIGURE 8.4 CURRENT STRUCTURE OF HOUSING PROVISION FOR INFORMAL AH IN RAIPUR

Government SHP for AH

The SHP for formal AH in Raipur has remained essentially the same since 2004 (see section 8.4.1 below) in spite of changing policies. It provides houses with basic amenities and legal titles and corresponds to the housing provided by the government mostly through three agencies – the CGHB, the RDA and the RMC. Each of these is headed by a political appointee, and managed by a senior bureaucrat. They are in charge of the housing projects undertaken by their respective agencies, and this includes land assembly, managing the design and construction bids and allotment of houses to the prospective home owners. They, at times, also act as bank guarantors to the loans taken out by the home owners. While the processes are more or less similar, each project has its own guidelines for implementation.

For land assembly, these agencies apply to the District Collector (DC), who provides land for housing. If it is public land, the DC can allot it directly. If it is private land the DC has to go through land acquisition, and then allot the land to the agency. CGHB, RDA and RMC all have land banks that they work with. The RMC also administers the land that is acquired from the private builders as part of the EWS land reservation. Currently, only RMC is building on such land. Land can also be allotted directly by the state government for certain projects.

Once the land is secured, the agencies call for a Design Bid from architects who provide a design and technical specifications for the project. The winning bid is selected by the agency, which then calls a second bid for construction of the selected design. Sometimes both bids are combined, as in case of RMC where it gave the design and construction to one party in a single process. It is usually the private architect/construction firms (some of the RMC deals were bid, won and executed by a local NGO) that bid on these contracts. The private contractor usually works on a fixed 10% project cost/‘profit’ margin. These contractors sometimes employ sub-contractors but more often are hands-on and work with the building workers and material producers. Some projects in Chhattisgarh were built exclusively for EWS/LIG, but more recently, instances of mixed housing in government built projects are common: the HIG/MIG housing is built to cross-subsidise the costs of providing EWS/LIG housing.

The loan capital to the agencies is provided by central and/or state funding depending on the housing scheme. The mortgage is provided by Bank/ HUDCO and other HFCs [Credit and Finance Organisations] with the government agency sometimes acting as third party guarantor in order to facilitate the credit access. A mortgage is only available to EWS/LIG families that have the required documents, which limits the available houses to EWS/LIG households employed by the government sector.

An *Awas Mela* (Housing Fair) is held to sell the houses¹⁷³. This is a platform for the government agencies to provide information about housing schemes, details about the Board's available properties for allotment and sale, and a place where interested EWS/LIG households can submit the application forms. The buyer can also directly visit the agency offices, or obtain such information from their website. These fairs also serve as political propaganda about the state government working towards its goal of 'housing for all'.

The government agencies who build subsidised housing for LIG/EWS invite applications to buy the new housing. These applications are then verified and housing is allotted through a lottery because the number of eligible applications exceeds the number of dwellings constructed. The house is usually allotted in the name of the female member or held jointly. The homeowner is not allowed to sell the house for a lock-in period of 10 years to avoid pressure sale.

Once all the individual houses are sold, the common property is transferred to the ULBs for maintenance funded by property tax. This includes solid waste disposal and management, maintenance of approach roads, drainage, water supply and electricity.

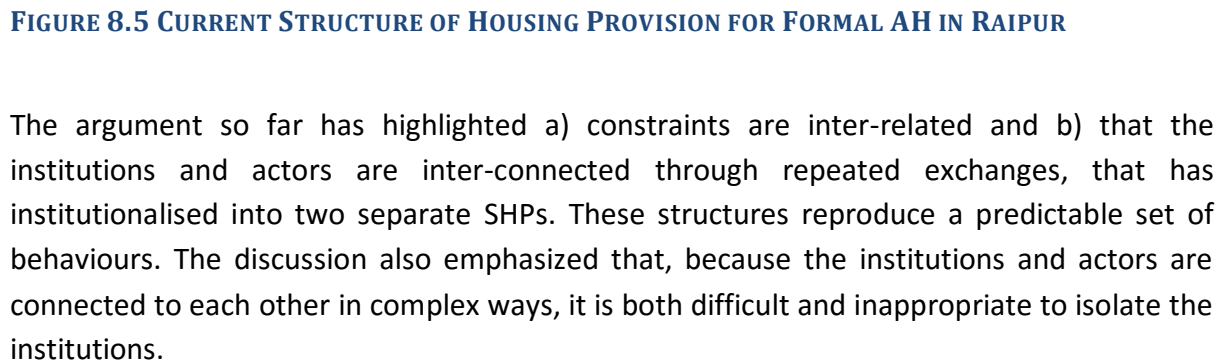
For regular maintenance of the housing colony, the owners are encouraged to form a building society which will be in charge of maintenance and upkeep of the building. The ULB is expected to provide support in forming such societies.

The beginning and end of the housing project are marked as major political events chaired by either the State Chief Minister or the State Housing Minister¹⁷⁴. The project begins with the ceremonial laying of the foundation stone and *bhoomi puja*¹⁷⁵. Once the project is completed, the housing stock is handed over to the government agency who then hosts inauguration ceremony to hand over the keys and possession documents to the allotted home owners.

¹⁷³ CGHB will be celebrating Awas Melas in 11 cities of the State in February (The Pioneer, 2014).

¹⁷⁴ Newspaper articles reporting the various ceremonies held in CG that marked either the beginning or completion of a new housing project (The Pioneer, 2013; Hindustan Times, 2013; Navbharat Times, 2014).

¹⁷⁵ Ground-breaking prayer ceremony which marks the commencement of construction activities at site.



The argument so far has highlighted a) constraints are inter-related and b) that the institutions and actors are inter-connected through repeated exchanges, that has institutionalised into two separate SHPs. These structures reproduce a predictable set of behaviours. The discussion also emphasized that, because the institutions and actors are connected to each other in complex ways, it is both difficult and inappropriate to isolate the institutions.

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Therefore, the second hypothesis that *the institutions and actors involved in the process of housing provision in Raipur interact with each other, with the implication that changing one institutional factor would lead to other institutional changes, with uncertain consequences* is not rejected.

8.4 HOUSING POLICY

The first section (8.4.1) outlines the changes in housing policy in Chhattisgarh and its results (or lack thereof), to establish that although the need to change this situation is recognised, it is not changing. The second section (8.4.2) argues institutional inertia as a strong force that is preventing this change. More information on housing policies in India, and the strategies proposed by the World Bank, is provided in appendix 2.1 (also see Chapter 2).

8.4.1 NEED FOR CHANGE RECOGNISED; NEVERTHELESS THE SITUATION IS NOT CHANGING

a) Changes in housing policy, and the results

National policy for housing has evolved over the years¹⁷⁶. Although the policy for AH changed, the government remained the largest provider of AH in the formal market. The evolution of housing policy at the national level was traced through five year plan documents and, past 1988, through housing policy documents. Comparing it with the aims and objectives of the government departments and subsidiary organizations set up for housing provision, shows that the changing objectives in housing policy (from public provision to private financing/market provision) have largely remained mere aspirations. This is partly because these policies are declarations of intent with no legal basis, and in part because they were not developed into implementable schemes with adequate resources, such as budget allocations or capacity building and essential re-structuring of facilitating organisations.

Changes in policy occurred at the state level as well. When Chhattisgarh was formed in 2000, the state government had a chance to break away from the subsidy culture and open up housing for private sector participation. This is precisely what it did. The Housing Board was disbanded, and housing sector was privatised. Private sector housing provision did increase; however, it stayed confined to the upper ends of the market.

Raipur was a new state capital offering new employment opportunities, and this increased migration into the city. With no one to serve the needs of the EWS/LIG in the formal market, the informal housing market became active and slums grew¹⁷⁷. When the opposition came to power in 2004, they re-established the Housing Board, terming the experiments of the

¹⁷⁶ Housing was viewed as a self-help activity for the majority of households in the early and mid-50s, as a welfare arrangement in the late 50s and early 60s, and then by the late 80s and early 90s it came to be recognised as a social and economic prerequisite for growth (Planning Commission, 1992). See Chapter 2 for details.

¹⁷⁷ "The slum population as per the CDP prepared in 2006 showed an extremely high growth rate of 63.59% in the decade from 1991 to 2001. The reason for this could be the formation of Chhattisgarh state and Raipur being made its capital and large in-migration because of that, the in-migration rate during this decade was 61%. In 2005 the slum population is about 3,50,000 which was an increase of 53% since 1991 (GTZ ASEM, 2010).

previous government as market failure. The new government established itself as the provider for the poor - a point that is well reflected in the interviews of a minister and a bureaucrat who were keen on conveying that the government was determined to fulfil the housing needs of the poor, irrespective of private sector participation (see Chapter 7).

The existing schemes deliver subsidised housing and are limited by the available resources. That 11/22 facilitators see themselves in the role of builders, who 'plan and execute new housing developments' (See appendix 7.2 Table 7.7), does not bode well for a formal market in low income housing. Surprisingly, there was not one organisation providing new infrastructure for the city¹⁷⁸, or working on the enabling strategy which the Housing policy has claimed to support since 1988. While all the facilitators acknowledged lack of AH as a problem, not one viewed his/her role, or could specifically identify someone else, as responsible for creating a market for AH.

The state departments and government agencies in the housing sector have rarely been reorganised; their purpose once set, they have continued working on a trajectory without being much influenced by the changing objectives. The departmental roles in provision of AH are determined according to specified targets and therefore perhaps perceived in very narrow terms, such as, providing credit for a certain number of EWS/LIG families under various government projects, procuring land under certain schemes, fulfilling the building targets for those who are tasked with implementation. Even for those in charge of policy formulation, the task is narrowly understood as drafting the policy, or designing schemes in accordance with the budget. While the policy serves as a declaration of intent, there is no organisation in charge of actually implementing the policy. Each housing scheme has its own parameters, or regulations for project execution. These regulations are fairly independent of the policy. Some of the policy objectives (such as zoning laws for EWS/LIG) have been enacted into the Town and Country Planning Act, or Municipal Act and therefore are enforced with legal effect. Other policy objectives such as "seeking private sector participation" or "facilitating the creation of a market" remain ambiguous as policy aspirations.

b) Centre-state relationships

While the housing policy and schemes do not seem to relate to each other at the state level, the story is no different at the national level. The lack of connection between the national housing policy, that intends to enable the private sector, and housing schemes, which continue with the government provision of subsidised housing, is partly a result of the

¹⁷⁸ The Raipur Development Authority (RDA) is in charge of developing new infrastructure in CG. However, the RDA since the formation of CG has been working largely on housing development projects. GOCG after its formation decided to create a planned new city for Raipur. It was to be called *Naya Raipur* (or New Raipur). For this purpose, a special greenfield area was notified under section 64 of Town and Country Planning Act. The Naya Raipur Development Authority (NRDA) was formed to serve as the nodal agency undertaking comprehensive development of this city.

centre-state relations. At the centre, the Ministry for Housing and Urban Poverty Alleviation (MoHUPA) drafts the housing policy. The centre's programmes intended to give effect to the national policy are channelled to the state governments through the State Urban Development Authority (SUDA), which in Chhattisgarh carries out the slum upgrading programmes. The state housing policy is drafted by GoCG, and CGHB is in charge of implementing the state housing schemes.

While enabling strategy is the professed outlook of the housing policy in India (See Chapter 2), the only housing scheme introduced by GoI that comes even close to having a set of guidelines promoting the participation of the private sector is the *Affordable Housing in Partnership* (AHP) document (MoHUPA, 2009)¹⁷⁹. But even that document assumes that the private sector will be interested in building homes for the poor, without any due consideration to the existing institutional constraints to market formation. As put forth by critics¹⁸⁰ of the Indian housing policy, one of the glaring issues is the obvious disparity between the aims and strategies on the one hand, and the available financial resources and managerial capacity on the other. Unrealistic and general, the document guidelines are only meant as recommendations from which the state government should form its own schemes, given that the governance of land and housing fall in the domain of the state. For these enabling guidelines to be effectual, they need, at the least, to identify and address the demand and supply constraints; and be translated into schemes that the private sector is interested to participate in.

AHP is just one of the many policies and schemes run by the state and central government to provide housing¹⁸¹. Each state also receives central government funding for housing and urban development through various central government schemes. One such scheme is the slum upgrading programme RAY (under JNNURM), mentioned earlier.

Governance structures required for a programme that seeks long term systemic change, such as a market enabling strategy, are different from one that responds to more short term goals, such as building houses. This does not seem to have been taken into consideration. The result is that the understaffed organisations are occupied with the more immediate targets and deadlines of the short term schemes, which have clear guidelines and deliverables.

c) Inertia in land and infrastructure supply

The town and country planning unit in Chhattisgarh is an example of colonial inheritance. Master Plans of various town and urban areas in India even today draw their inspiration

¹⁷⁹ The document was revised in September 2013

¹⁸⁰ See Gnaneshwar (1995); Baken (2003)

¹⁸¹ There are several small schemes run by various state government agencies (like RMC, RDA, CGHB) with centre or state funds, wherein the agency acts as a housing developer to set up a housing colony developed under the particular scheme.

from the Delhi Master Plan prepared under the Delhi Development Act, 1957. This act was itself developed more or less on the lines of Town & Country Planning Act 1947 of Britain. The present urban development planning system caters only to the requirements of the act, wherein almost all cities have the same objectives regardless of their nature. The objectives of the plan are generally not integrated with the financial capacity, whereby most of the proposals are not executed because of lack of funds, or because they are not aligned to the priorities of the government. Also, there is no regular monitoring, evaluation and management of these plans. Planning remains only a constitutional obligation (Kumar & Pandit, 2013).

A similar opinion was reflected in a presentation made by Raipur Development Authority (2013) in a National Workshop on Land Pooling for Real Estate Development in New Delhi.

“...in the past, there has been an absence of [integrated] planning [for the city] as a whole...planning [in] parts has led to a haphazard development with a lack of proper infrastructure. The result has been development of slums and unorganized/unapproved constructions...”

The master plan for the cities defines, in theory, the land uses for the next 10 years. Therefore, a formal sector builder cannot buy cheap agricultural land and expect to be able to change land use. However, without a capacity for strict implementation, officials are unable to prevent slums from mushrooming in areas which are reserved for other purposes. This has reduced the process of master planning into a regularising exercise where the plan is readjusted every 10 years to reflect the ground reality. The slums are regularized, and the initial planned land use for the area is changed to reflect the emerged pattern on the ground.

The builders criticised the past and current master plans of Raipur as neither in keeping with the available resources and the enforcement capacities of the city, nor with the unprecedented population growth and migration. Table 8.2 portrays the range of Floor Space Indices (FSI) in prominent Indian and global cities. In Raipur the highest FSI/FAR at the time of fieldwork was 1.25 (2 in the city centre). These FSI figures (density measure) for India fall way short of those in prominent international cities with comparatively less dense population.

TABLE 8.2 FSI/FAR COMPARISON

FSI Across Prominent Indian Cities			FSI Across Prominent Global Cities		
Indian City	Area	Max FSI/FAR	Country	City	Max FSI/FAR
Kolkata	City	3.00	Bahrain	Bahrain	17
	Salt Lake	5.95	USA	New York Downtown	15
	Rajarhat	2.50	USA	Los Angeles CBD	13
Bengaluru ¹⁸²	City	4.00	USA	Chicago CBD	12
Mumbai	Island City	1.33	China	Hong Kong	12
	Suburbs	2.70	USA	San Francisco CBD	9
	BKC	4.00	Thailand	Bangkok	8
NCR	Delhi	3.50			
	Gurgaon	1.75			
	Noida ¹⁸³	3.50			
Chennai	City	3.50			

Source: Cushman and Wakefield Research

One of the side-effects of lack of sound planning is the shortage of land for formal housing development, a view shared by most builders in their interviews. The *Approach to 12th Five Year Plan* document (The Planning Commission, 2011) recognises that, in many ways, the regulations¹⁸⁴ which are intended to manage densities¹⁸⁵ and discourage migration, limit the supply of land and require formal sector housing to consume more land than would otherwise be chosen [such as low density measures, high standards for parking, coverage limits, setbacks, limits on elevators, road widths]. It further states that such outdated planning regulations are one of the causes of urban sprawl, and are pushing up the price of land and the cost of service delivery generally.

Related to this shortage of land for development is another supply constraint: the lack of infrastructure development/transport & connectivity to the outskirts of the city. Developing

¹⁸² In case of proximity within 150m radii from any Metro station

¹⁸³ Additional 5% permissible FSI is being proposed for Noida's Green Buildings

¹⁸⁴ Planning permissions in accordance with the Town and Country planning Act to be followed in the formal sector development.

¹⁸⁵ However, without capacities for strict enforcement, the result has been a lack of formal land for development; and unorganised and informal constructions in the expanding slums.

trunk infrastructure as well as social infrastructure on land is largely¹⁸⁶ part of the state government's job in India¹⁸⁷. Most facilitators and builders agreed that Raipur Development Authority (RDA) (See chapters 6 & 7), which was set up to implement the master plan has been, so far, not very successful, though, there was considerable disagreement about why. Some builders stated that RDA, being a government agency headed by an elected representative, like CGHB and RMC pursued quick wins, such as undertaking housing projects, rather than dealing with time-consuming infrastructure development projects.

RDA blames paucity of funds for failure to implement the master plan. The McKinsey Global Institute reported (2010) that, in per capita terms, India's annual capital spending [on urban infrastructure] of \$17 is only 14% of China's \$116 and 4% of United Kingdom's \$391¹⁸⁸. The report also estimated that India needs to invest \$1.2 trillion (Rs. 53.1 trillion) in its cities over the next 20 years. This is equivalent to \$134 per capita per year, and it would represent an increase in urban infrastructure spending from 0.5% of the GDP to 2.0% annually. This point is in tune with the comments of Kumar & Pandit (2013) about the town planning in India. They insist that the state budgets, as well as the market price of land, should be used as a tool for guiding land use in the master plan. However, some facilitators, while not wanting to defend the RDA, argued that both drafting and implementation of master plans is much easier in a green territory (for instance in Naya Raipur, the new capital area), than in an existing "haphazardly grown" city like Raipur.

An important point to note here is that the municipalities and development authorities in charge of infrastructure development have been starved of state and centre funds on purpose, as a first step towards incentivising them to raise funds from the market through bonds and user fees, and to encourage them to borrow from the international financial institutions (WB and ADB)¹⁸⁹. Nevertheless, to date, the municipalities, with their low credit ratings, and several other issues, have been unable to do so.

While funds and resource availability are undeniably a point of contention, the problem is complicated further, because the guidelines for drafting and implementing the master plan (in terms of how cities make and enforce land and space choices) are not consistent with the current demographic needs. This task of revising the guidelines for drafting and implementing the Master plan [Urban Development Plan, Formulation and Implementation (UDPFI)] has now been taken up by Ministry of Urban Development, GoI¹⁹⁰. The state government has also been making its own amendments (such as introducing reservation of

¹⁸⁶ National highways are maintained by the central government, while the state roads and highways are maintained by state government. Similarly, some transport infrastructure is supported by the centre (like JNNURM buses, or Railways) but it is largely considered part of the state portfolio.

¹⁸⁷ Specifically the state urban development ministry or the city development authority; however in Raipur, the RDA blames lack of funds for not being able to undertake infrastructure development

¹⁸⁸ Comparison of per capita spending on urban capital expenditure on services (water, sewage, city roads, storm water drains, mass transit, solid waste and low income housing) for financial year 2007-2008.

¹⁸⁹ See Chapter 2

¹⁹⁰ See Document Ref: No.N-11025/40/2010-UCD (MoHUPA, GoI, 2012)

land and housing for EWS/LIG); however, such piecemeal amendments can increase the number of regulations, which in turn increases the transaction cost.

8.4.2 INSTITUTIONAL INERTIA IS PREVENTING THE HOUSING POLICY FROM CHANGING

The problem of AH is recognised but not adequately tackled is, we argue, largely because of institutional inertia: there are factors restraining the institutions from changing, even when it has been decided that change is needed. This study suggests that the continuing practice of 'clientelism' is one of the main reasons for institutional inertia in the case of Raipur. Clientelism also affects the SHP by implicitly encouraging informal housing. This section first defines the concept and explores the many effects of clientelism on the lives on the slum dwellers. Then, the discussion focuses on its relation to the way political decisions are taken and its implications for the SHP.

Clientelism is fairly well documented¹⁹¹; however, there is a lack of consensus about its meaning (Stokes S. C., 2009). Hopkin (2006) makes a clear distinction between two forms of clientelism – Old and Political. *Old clientelism*¹⁹² of the feudal society is where the patron provided clients with access to the basic means of subsistence and the clients reciprocated with a combination of economic goods and services (such as rent, labour, portions of their crops) and social acts of deference and loyalty. The new forms of *political clientelism* involve organized political parties, with bureaucratised structures, replacing the feudal lords as patrons. While the relationship is still instrumental, and the benefits provided to clients are still largely private and excludable, the difference is that there are two types of clients – one who votes automatically for his/her patron out of a sense of deference and the implicit and imprecise promise of protection and aid, and one who shops around for the patron that offers the best deal, and may even switch patrons if the flow of benefits dries up. The new clientelism, in this way, resembles 'economic' or a 'market' exchange, in which the client seeks to maximise utility irrespective of any sense of obligation towards or identification with another actor.

There are others¹⁹³ who present a slightly different perspective of a broker-mediated model, wherein the broker is considered a field operative of the political parties who closely knows his client base in terms of their needs and preferences (political and otherwise). He is in charge of the distribution and of ensuring that the voters cast their votes for the party concerned. However, the broker has his own interests, which are not always aligned with those of the party, and hence he is an imperfect agent imposing agency loss on parties, and threatening exit along with his vote base if his needs are not met. This model closely resembles the clientelist pattern in Raipur.

¹⁹¹ See Stokes, Dunning, Nazareno, & Brusco (2013); Tomsa & Ufen (2013); Hilgers (2012); Stokes (2009); Schaffer (2007); Taylor-Robinson (2010); Ronconi & Franceschelli (2007)

¹⁹² Documented by Mason, T. David (1986) 'The Breakdown of Clientelism in El Salvador', *Comparative Political Studies* 18: 487-518.

¹⁹³ See Stokes, et al. (2013)

Based on this, clientelism can be understood as a method of electoral mobilisation. Using Stokes' (2009) definition – it is “the proffering of material goods in return for electoral support, where the criterion of distribution that the patron uses is simply: did you (will you) support me?” Clientelism is the exchange of goods and services for political support, often involving an implicit or explicit quid-pro-quo (Stokes, Dunning, Nazareno, & Brusco, 2013).

This clientelist form of democracy represents a historic and rather common¹⁹⁴ understanding of the role of a minister or elected representative in India. It is a culture where political support is sought in exchange for goods and services, hence, subsidies play a major role in governance in India¹⁹⁵. These subsidy programmes receive high propaganda which helps the political parties in establishing their brand and hierarchy over the brokers in the distributive game. Some scholars (Bardhan, 1984; Baken, 2003) are of the opinion that the socialist ideologies of the founders of independent India, that allowed disproportionate spending in subsidies and thereby blocked efficient management and utilisation of capital in the public sector, were instrumental in developing this patron-client form of democracy.

In clientelism, politicians have an incentive to choose policies based on their short term political appeal (such as state sponsored subsidies that are identified with a political party) rather than policies based on growth or poverty reduction strategies (such as universal access to basic services). These policies make it difficult to break out of an inequality trap, and the lack of political commitment to equity enhancing reforms tends to preserve the status-quo (Fritz, Katayama, & Simle, 2008). Subsidies¹⁹⁶ also contribute considerably to family disposable income in the slums. For example: under the food subsidy programme, 35 kilograms of rice is given to each low-income family at Rs.2/kilo, the market price of which usually varies anywhere between Rs.25-40/kilo. In addition to the food subsidy, the Rajiv Swasthya Bima Yojana (RSBY) gives healthcare insurance worth up to Rs.35,000 per annum to a family of five. The food subsidy scheme implies an annual saving of around Rs.10,000, RSBY implies an annual savings of Rs.35,000. Altogether, a poor family receives subsidies worth some Rs.50,000 per annum. This point was considered during the fieldwork; it was found that nearly 8% of the EWS families who could currently afford to pay the EMI would not be able to do so if they faced a medical emergency or if the food subsidies were withdrawn. Another subsidy programme that – indirectly – affects the housing market is a rural employment generation [M-NREGA] scheme, which guarantees 100 days of work to rural labour in their villages, at wages much higher than the market wage (see Chapter 6).

¹⁹⁴ See Jeffrey (2002); Brinkerhoff & Goldsmith (2002); Baken (2003); Bardhan, Mitra, Mookherjee, & Sarkar (2009); Markussen (2010), Acemoglu, Naidu, Restrepo, & Robinson (2013); Robinson & Verdier (2013); Anderson, Francois, & Kotwal (2014)

¹⁹⁵ The food subsidy programme has now been taken up at the national level, and was considered as the initiative which helped the state government to be re-elected (News Bureau Report, 2009).

¹⁹⁶ Affordable Housing is the most politically popular sector which benefits from subsidy schemes (Baken, 2003), (Thangavel C. , 1998). However, it is not the only one. Schemes such as free distribution of 100,000 wi-fi tablets for poor children in villages that are not internet connected or wi-fi enabled, and Rs 355 million was earmarked for a scheme (Saraswati Cycle Yojna) in the first half of the 2013-14 for free cycles to be distributed among school going girls.

The continuing tradition of subsidy schemes evidently poses barriers to a private formal housing market.

Clientelism also affects the way political decisions are made. The politics of clientelism does not have any room for wider debates on the long term issues of public concern. Members win the election on promises of delivery of certain goods, and while they are in office, most of their energy is spent delivering on those promises in order to be re-elected. The promises made are not about systemic changes but concern the urgent needs of individual slum dwellers. Sitting for two hours in the office of the Raipur Mayor waiting for the interview which unfortunately could not be conducted, provided an opportunity for me to observe the kind of promises that are made. Getting a hand pump in the neighbourhood, a road fixed, a stay order for a slum which was to be cleared, someone transferred so they could be with their family, recommending somebody's son for compensatory employment in place of his father who lost his life on the job; these were some of the varied petitions that came in.

The budget available to a minister is under his discretion and it is understood that it will be used in a way that will get him re-elected in the next election. For example, it was reported that the State Ministry of Urban Development and Housing, which was one of the big budget ministries, was split into two – the Ministry of Urban Development, and Ministry of Housing. This was done in order to split the budget among two power houses, rather than having it concentrated with one minister who might be seen by people as the more 'generous' public representative; where generosity is understood as a measure of subsidy made available.

The state and city level politicians consider being able to interfere in the implementation of a programme to suit their electorate, as part of their role (Baken, 2003). This was illustrated by the statement made by a bureaucrat complaining of such patronage behaviour and favouritism: this complicates his job because of the time and energy spent on "resist[ing]...politicians who are very dominating... while implement[ing] the government policies" (Interviewee-04F, 2012).

The city level political councillors are more involved in implementing policies than in formulating them. Interviewees (20F & 3F, 2012) took the view that radical systemic changes required to create a market would result in cultural shock and possible alienation by their electorate, and feared that it represented considerable risk.

This political behaviour is supported by the slum-dwellers who have come to expect such benefits from the government; a sentiment freely acknowledged by most slum households, and shared by builders, bureaucrats and politicians alike. When asked whom they considered as their ally in case of eviction, 31% of the households mentioned their local

political councillor (*Parshad*) who they believed would either get them compensation and/or a free home (See Table 5.12, Appendix 5.4).

The defaulting on loans is another adverse outcome of clientelist approach to governance. The government subsidised houses are considered by most recipients as hand-outs. Based on their earlier experiences¹⁹⁷ with most government loans, the slum dwellers sign an already heavily subsidised contract agreement in the expectation that it will be waived off (with the help of their political councillors) as a gesture of goodwill. In Raipur, this had resulted in many RDA projects reportedly (Interviewees 06F & 20F, 2012) not being able to recover their costs, as the slum dwellers on the advice of their *Jan Pratinidhis* (local political councillors or the broker in the clientelist model) had defaulted on their loans, despite being able to re-pay¹⁹⁸.

During informal interactions, the slum dwellers reported that the power to vote is their only strength, which they have learned to wield to their benefit. If the councillor does not agree to their demands, they approach the opposition candidate, who can then manage to win the election on the sole promise of meeting their demands. A study on what democratic representation means in a clientelist system concludes that the poor often lack the resources (such as education and the access to information it provides) to be able to monitor the policy activities of their elected representatives¹⁹⁹, and therefore would be unlikely to value abstract promises of policy benefits. Unless they receive concrete, tangible benefits that they can monitor they are unlikely to reward representatives who say they are working on X policy, even if the claim is true (Taylor-Robinson, 2010).

Slum dwellers enjoying political favours was represented by builders as a complaint. The builders felt that they were unnecessarily harassed in being expected to strictly adhere to the planning and building code (Interviewee-19B, 2012) while the more informal builders in the slums were allowed to build houses without having to follow any guidelines (Interviewee-22B, 2012). The facilitators [bureaucrats and the politicians] merely acknowledged that collectively the slum dwellers do hold some influence as part of their [patron-client] mutual relationship. The slum dwellers often manage to get a patta [right to stay for a certain period of time] through the elected representatives or a minister, and then at the end of the given time period, having built a community in the slum, resist relocation²⁰⁰ (Interviewee-20F, 2012).

¹⁹⁷ See Press Trust India (2012); Prasad K. (2014); Express News Service (2014); Aiyar (2008) for reports on “loan pardoning” in India.

¹⁹⁸ This could be considered a potential risk of asymmetric information in case the affordable housing market were to be formed in CG; a moral hazard issue where the bank/supplier does not have as much information as the borrower.

¹⁹⁹ particularly what goes on inside the legislature as well as the executive branch and government agencies

²⁰⁰ However, many slums were cleared in Raipur with the households being moved into the houses given in compensation.

The “permissive implementation of master plans” mentioned above is, according to Baken (2003) an implicit government policy that considers squatting a viable way of solving the problem of land delivery to the poor, “on the principle of allowing squatting to emerge and cleaning them up [slum redevelopment schemes] whenever the occasion arises”²⁰¹. Mahadevia et.al. (2009) consider such land as space which the occupants had gained through the political process of ‘patron-client’ relationship and therefore rightfully belonging to them.

The politicians, in the interviews, considered creating a formal market for AH a “risky move” because it involved “a systemic change” which was rather complicated, with no assurance that such a move would be successful. Giving the example of Indramma Yojana (an incremental housing scheme in an adjoining state) the minister explained that such housing projects have a high chance of succeeding. These are independent small scale schemes over which the minister has considerable control, or schemes that are seen more as the pet projects of the authority concerned rather than general state-wide policies (Interviewee-20F, 2012). Most government agencies and organizations are headed by an elected representative for whom long term goals are sometimes risky because they would need the continued support of the next government. A short term housing project has better chance of successful completion than a long term infrastructure development project which will 1) need some time to take off (probably because of the land acquisitions required), 2) cause major inconvenience in terms of traffic disruption, dust and pollution in the initial years, and 3) can be scrapped by the successor (Interviewee No. 3F, 20F and 12B, 2012). Also, if the current politician is not re-elected, but the project continues, the current politician will not get to share the limelight of a successfully finished project. The focus is therefore on taking up projects which can be completed within 3-5 years, giving politicians a chance to showcase some achievement.

Clientelism in this case instils institutional inertia through a form of democratic representation that underpins short-term planning. It thus reinforces the structure of informal housing provision and could very well be one of the reasons why there has been no structural change accompanying the new policy direction of market enablement. In effect, clientelism is serving as an alternative to the market. It is therefore a meta-constraint²⁰² on any policy to design and introduce a market for AH.

8.4.3 IMPLICATIONS FOR CHANGING HOUSING POLICY

It is clear that the deregulation and privatisation recommended by the World Bank (1993) and adopted by both the GoI and GoCG, does not automatically lead to market formation; especially in a complex institutional set up governed by clientelist practices such as seen in

²⁰¹ Slum cleaning and re-development programmes are not undertaken on a regular basis. It is a decision based on political priorities and resource availability.

²⁰² can be classed neither as demand nor supply constraint but affects the market

Raipur. Neither will a formal market emerge by overlaying new policies on an existing structure. Enabling an AH market will not only entail addressing the institutional constraints but also restructuring the SHP. The term “enabling markets” assumes that a potential for market exists, which, when the barriers to the market are removed, will emerge. However, removing barriers alone will not necessarily result in a market. The desired market needs to be designed with new rules and regulations. This is discussed further in Chapter 9.

There is a parallel argument that people tend to remain within a particular way of thinking and acting. Some (9/19 facilitators) are of the opinion that a pre-requisite for such structural changes would be a change in attitudes amongst everyone concerned – the EWS/LIG living in slums, the builders, as well as the facilitators, and that, they said, is harder to come by. This is in keeping with the concept of ‘habitus’ which is a *habitual state, “a predisposition, tendency, propensity or inclination”* (Bourdieu 1977, p.214 emphasis in original) of individuals to behave in certain ways. While in many ways it is similar to the concept of institutions themselves, the difference lies in Bordieu’s efforts to reconcile social structure with individual agency (or in Durkheim’s terms to understand how the “outer” social and “inner” self, help to shape each other). Habitus is the combination of the social and the individual – where the experiences of one’s life are unique in their particular contents but are shared in terms of their social structure. Social structure represents the class, gender, ethnicity, sexuality, occupation, nationality, region and so forth. It is explained as the combination of *conditioning* and *cognitive construction* whereby people have a tendency to choose certain options over others (Bourdieu & Wacquant, 1992; Maton, 2012). In that case, people will tend not to react to changed rules and regulations, but will continue in their existing patterns.

This argument – in its extreme form implying that nothing will change - is rejected by the findings of this study, namely that people are making conscious, rather than conditioned choices. The field data in Raipur presents many challenges to the ‘Habitus’ claim. First is the empirical difficulty is defining what constitutes a habitus, especially with the knowledge that the slum is not inhabited by a homogeneous population. The slum population has varying characteristics based on economic capacities, their occupation, gender, ethnicity (not just in terms of different castes but also in terms of the regions they have migrated from). Their needs (e.g. those who run rickshaws preferred to live where public transport was not readily available), preferences and tastes (e.g. some households prefer to stay in the slum even when they can afford to pay for a dwelling, others cannot wait to move out) are also different. There is not one ‘habitus’.

Their political affiliations are also different. As discussed above, while some vote out of patronage loyalty, others shop around for a ‘best deal’ patron, who best satisfies their needs. While the promises work on trust, not delivering on the promise means losing your voter-base. Conveying their need, brokering the services that they can get in return for their vote, approaching the opposition leader, holding mass protests, all of these represent

strategies that imply rational decision making. Each of these strategies has a cost involved, and a cost-benefit analysis to be made²⁰³.

Secondly, the politicians are also making a rational choice: their reluctance to change the 'system' is grounded in the knowledge that the outcomes are uncertain. This is a risk that they are unwilling to take. For the political party in Chhattisgarh, which has been voted into power for three terms consecutively, their politicians have the winning formula. While the need to change to a market model is recognised, they are disinclined to change the way political decisions are being taken because it is serving their purpose. Moreover, as indicated by one politician in his interview, they believe that the change will have to come from the demanders and that if their electorate starts demanding different things, they will be forced to oblige (Interviewee-3F, 2012).

Without taking clientelism into account, these decisions may seem irrational, habitualised even. However, from the above discussion it can be concluded that the actors are taking rational decisions, even if they are making their choices in culturally accepted ways, constrained by the institutional structure imposed upon them. Institutions constrain behaviour, and changing those institutions can lead to new behavioural outcomes.

Therefore, any changes made to introduce an AH market, must be attractive to rationally thinking/acting actors to persuade them to change from clientelism to market exchange. In other words, what would make those actors who benefit from the current clientelist provision voluntarily change to a market for such housing?

The caveat here is that it might be impossible to convince all the actors that such a change would be for the better. There will, of course, be winners and losers. Clientelism runs on a broker-mediated model, therefore the most obvious losers are the political brokers. As pointed out by Stokes et al. (2013, p.118) and field data in Raipur, in India, those brokers are the local councillors (or *Parshad*). The next apparent group which would lose from such a model would be the city²⁰⁴ politicians. However, assuming that such a market would not necessarily end the practice of clientelism, the patrons, the clients and the brokers may improvise and move on to other goods and services for such exchanges.

The slums dwellers unable to afford such housing will need alternative arrangements. If such arrangements are not put in place, then such households will be worse off without the benefits they gain from clientelist practice.

The most apparent winners would be: 1) households who are able and willing to buy AH from the formal market, and 2) the builders who would be supplying such dwellings. It

²⁰³ As Taylor-Robinson (2010) argues in her study, some of these measures like mass protest can become very costly for those involved, particularly if the state responds with violence.

²⁰⁴ As witnessed during the fieldwork, the mayor's office was an important channel for distributing jobs as well as access to favours.

would also benefit bankers and credit institutions, construction workers, building material producers, and other auxiliary industries related to housing.

For the ministers at the state level, such a move could go either way. If they fail to create the affordable market, and they end the practice of clientelism in AH in order to do so, they may lose the slum voters. However, if the state is successful, it may boost the image of the state level ministers in charge of Housing, Urban Development, as well as of the Chief Minister.

The most visible political consequence of such a market would be on the way political decisions are made, and resources are allocated (from short term benefits to long term goals). There will have to be a shift from clientelist distribution of resources to a programmatic one. Programmatic distribution is where the criteria and rules of the distribution are public²⁰⁵, and actually determine the distribution, rather than doing so on paper only (Stokes et al., 2013). The benefits will neither be contingent on the individual's (or groups') political support, nor will they be targeted at party members/voters/individuals. Such a process would not be a private and undisclosed matter, but would be open (and radically different from the current practice) and therefore subject to comments and criticism of the political opponents and to the scrutiny of the voters.

These implications need to be taken into account when taking measures to facilitate the rise of a formal market for AH. How this could be explored, and who are the actors responsible for taking such decisions is discussed under recommendations in chapter 9.

²⁰⁵ "Often, though not always, a public discussion precedes the crafting of distributive policies and their implementation. Even when ex ante public debates are absent – when distributive policies, for instance are the product of internal governmental discussions or bureaucratic processes – the criteria of distribution are available for public discussion (Stokes, et al., 2013)".

9. CONCLUSION

9.1 INTRODUCTION

The central research questions of this study are: *what are the institutional factors that constrain an AH market; and can any of those institutions (constraining the market) be altered in such a way that a market is formed.* The previous chapter discussed the findings to answer the above questions. In this chapter conclusions are drawn, in light of the central research questions, and some recommendations are made with regard to restructuring the SHP. The final section reflects on the theoretical framework, the methods used in the study and options for further research.

The slum survey of 211 households in Raipur Municipal Corporation (RMC) area found that more than 50% of the EWS/LIG population in the slums could afford to buy a 'decent house'. Other recent research (Agarwal, Jain, & Karamchandani, 2013) supports the findings of this study. Yet, commercial housing developers in Raipur are not building such housing.

The slum survey led to the identification of demand constraints from the perspective of the slum dwellers (prospective buyers). 30 builders (prospective suppliers) were interviewed for identifying the supply constraints, and the perspectives of those who could facilitate a formal AH market (such as banks, government officials), on the demand and supply constraints, were collected through 22 interviews and one focussed group discussion. The empirical findings were synthesised in chapter 8 to explain why an AH market has not arisen.

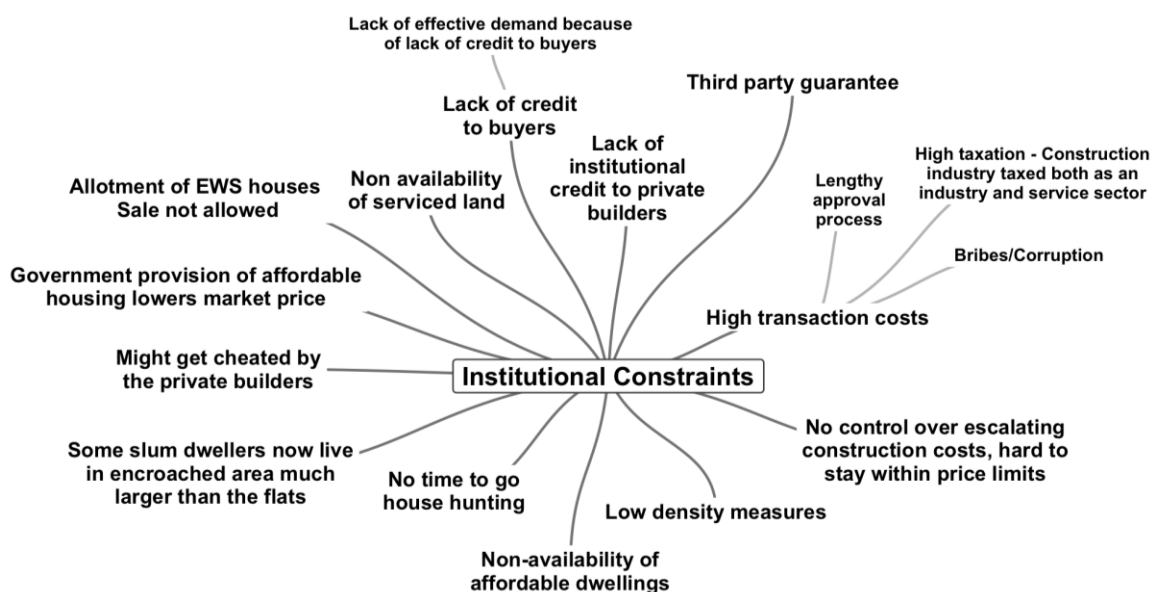


FIGURE 9.1: INSTITUTIONAL CONSTRAINTS FOR DEMAND AND SUPPLY OF AH

The findings of the slum survey indicated that although many households could in principle afford to buy a decent house if it were available, many would not. The reasons they gave were the following:

1. they would lose the community of the slum neighbourhood which currently serves them well not only in terms of free child care facilities, but also as a support mechanism that defends their interests;
2. they would lose the possibility of getting a free house in case their slum was cleared;
3. if their slum is not cleared, they hope for basic services being provided in their slum through a slum up-grading project; this serves some of the households well as they have currently encroached a larger area than they would be able to afford in the market;
4. those who currently have access to credit would lose the possibility of getting one of the (admittedly scarce) houses being built by the government agencies (CGHB, RDA, RMC). The price of these is subsidised and therefore lower than for a house of the same standard build commercially. Moreover, there is a high possibility of not having to pay back the loan for the purchase of one of those houses;
5. they distrust the private builders;
6. not all of those households who could afford to buy a decent house could get the necessary loan because of informality;
7. they cannot afford to spare the time to search for a house; or pay the bribes necessary for registration.

Of those reasons, apart from slum dwellers losing their neighbourhood, the rest can be considered to be institutional constraints.

Institutional constraints affected the builders also. They could not build the housing at a cost which would make it affordable, not because of costs of construction and land, but because of: lack of appropriate serviced land; government agencies who build AH and sell them below market prices thus affecting the market; high interest rates on loans (forward financing); shortage of labour because of government schemes to discourage rural–urban migration; fear of ineffective demand due to EWS/LIG households not being able to access credit. Apart from these, high transaction costs because of lengthy approval process, dual taxation, bribes and corruption raise the cost of building AH. Lack of secure property rights adds to the time taken to verify that the property is free of dispute. Regulations call for allotment (not sale) of EWS dwellings and limit the density of housing, which further fuels the scarcity of developed land.

Purposeful and decisive government action could address most of those constraints (as represented in the Facilitators' perspectives reported in Chapter 7) but the government politicians often do not want to take necessary action. Given the scarce funding for their

ministries/agencies, politicians want to work on concrete projects which will enhance their chances of getting re-elected. Often, such projects mean new housing developments, but such housing developments, when compared with the demand, are far too few. Enabling a market involves taking measures that might mean losing the political power given by clientelism; it would also entail losing the power and money intrinsic to corrupt government machinery; the present organisational structure and division of responsibilities would have to be changed radically, and that would endanger the position of politicians and officials.

Chapter 8 presented an argument about how institutional inertia is being fuelled by the practice of clientelism and the resulting inertia presents itself as a meta-constraint. Demonstrating that the institutional constraints are inter-related, and form a vicious circle, the chapter examined whether this circle may be broken. Because the actors are making rational decisions, the chapter argued that creating an AH market by addressing the constraints might bring about the desired change, if it offers enough advantages to most of the parties concerned.

Chapter 8 drew two conclusions – one, that the clientelist practice is a meta-constraint, as it poses an alternative to the market; two, that the actors are making rational decisions (both political and market choices) within the constraints of the institutional set-up (which includes both formal laws and informal practices). It follows from the latter that changing the institutional structure will enable the actors to make different choices. The chapter also made it clear as to which actors might stand to gain or lose from the shift to market provision in AH, and what the political consequences might be. However, the ease with which the institutional structure can be changed will depend on how deeply entrenched the practice of clientelism really is, and who are the actors most threatened by such institutional change. These are questions that will need further study before they can be answered.

The need for change is recognised; nevertheless the situation is not changing. What can be changed through deliberate design is the formal institutional structure. However, the outcome of such change will depend on tacit social approval, and on the more informal institutions. Creating an AH market by addressing the constraints is therefore more likely, if the process of formal institutional change is accompanied by informal brokering among the prospective buyers and sellers, involving the facilitators, to come to an acceptable set of terms for such a market exchange. Also, there will invariably be winners and losers; negotiating a compromise for those who might not gain from this change will be a necessary step.

Based on the above conclusions, this study makes some initial recommendations. These constitute a deliberate ‘designing’ of the market. However, given the institutional complexities and uncertainty of the outcome, creating a market can never be as straightforward as the recommendations might imply. These recommendations need to be considered as just an outline. Creating a market needs an evolutionary approach that can

cope with uncertain outcomes. Finding acceptable solutions to problems that arise along the way through a process of mediation is vital to such a process.

9.2 DESIGNING A FORMAL AH MARKET USING SHP

The new market SHP being proposed by this research is based on the following premises, as informed by the research findings:

1. The provision of formal AH by the government cannot provide sufficient housing, as that would require an unrealistically large increase in funding;
2. Private sector investment is needed for a formal AH sector;
3. While not all, those who can afford to, would want to buy their own housing, there is strong potential for and interest in a housing market from both demand and supply sides;
4. There is a high proportion of owner-occupied dwellings in slums, and a continuing preference for ownership;
5. A market could provide more choice and variation in dwellings in terms of location and design while meeting the basic requirements;
6. Need for faster housing development in keeping with the pace of urbanisation;
7. Housing has been identified as one of the key growth drivers for the economy, with many studies positively correlating housing and infrastructure investments in the formal sector with the nation's GDP.

This study concludes that such a market will need to be deliberately designed. This involves restructuring the current government SHP rather than just overlaying new policies on an old organisational structure. Analysis of the institutional constraints provides a set of requirements that the proposed SHP must satisfy:

1. This SHP only applies to new housing for owner occupation. Dwelling units supplied will have to conform to the definition of AH based on the size of the dwelling unit and availability of five basic amenities (toilets, drinking water, electricity, drainage and roads).
2. In case of land pooling or re-structuring, priority could be given to existing residents of the area.
3. All the suppliers (including government agencies and NGOs, if involved) operating within this SHP will be governed by the same set of rules. An alternative could be that private builders are allowed to service this section of the EWS/LIG population, while government agencies and NGOs channel their resources to those who cannot afford to pay for their own housing.
4. The price of the dwelling unit will be competitive and will be in keeping with local house prices.
5. Institutions must be put in place to ensure an adequate supply of serviced land with higher density limits for AH. The government will have to increase housing land supply or identify potential sites through land pooling/re-structuring in order to guarantee a five year supply of economically viable housing sites²⁰⁶.

²⁰⁶ The RDA (2013) is working on proposals for land-pooling that can increase land supply for housing on a self-financing model, wherein the land holders are made partners in the land development scheme. The plots are reconstituted with development of infrastructure, and owners get in return a developed plot which is a certain percentage of their original

6. Credit, and guarantees, where applicable, will need to be made available for those buyers who are credit-worthy.
7. Credit facilities will also have to be made available to builders investing in AH projects. Credit to builders if available at lower interest rates for AH projects will incentivise spending and investment in the sector.
8. Faster approvals will have to be ensured for AH projects through more transparent and less bureaucratic procedures.
9. The supply of serviced land/faster approvals/credit and guarantees will have to be conditional, on the surety that the houses will initially and subsequently be sold to EWS/LIG families. Enforcing such a rule will require neighbourhood vigilance.
10. The houses will be sold through regular market exchange and not allotted via government.

What is being proposed is a market based SHP similar to the SHP for MIG/HIG, therefore this latter is presented first (Figure 9.2).

This identifies the actors/institutions that are affecting the housing provision either directly or in less perceptible ways. Both the SHPs (for MIG/HIG and for EWS/LIG) are influenced by the State through the same institutions of housing policy, tax and employment legislation as well as the planning system and state infrastructure expenditure. The difference lies in what these institutions imply for the SHP. In the case of the SHP for EWS/LIG these institutions will have to address the identified institutional constraints. The possible actors in charge of addressing these constraints, and the potential ways to address them, as suggested by the key facilitators in Chhattisgarh, are reported in Chapter 7.

The proposed market based SHP for EWS/LIG is shown in Figure 9.3. While this structure is mirrored by the informal SHP (again, because they are both market based), the difference lies in the good being traded - which is a 'decent' AH with minimum 5 basic amenities and legally enforceable titles.

land. The state has agreed not to levy any development charges in the first phase of the project and to provide all services underground, so as to maximise the surface land. The plan has proposed that land holders get back approximately 35% of their land area as a residential plot. However, it needs to be seen whether or not the scheme can be implemented.

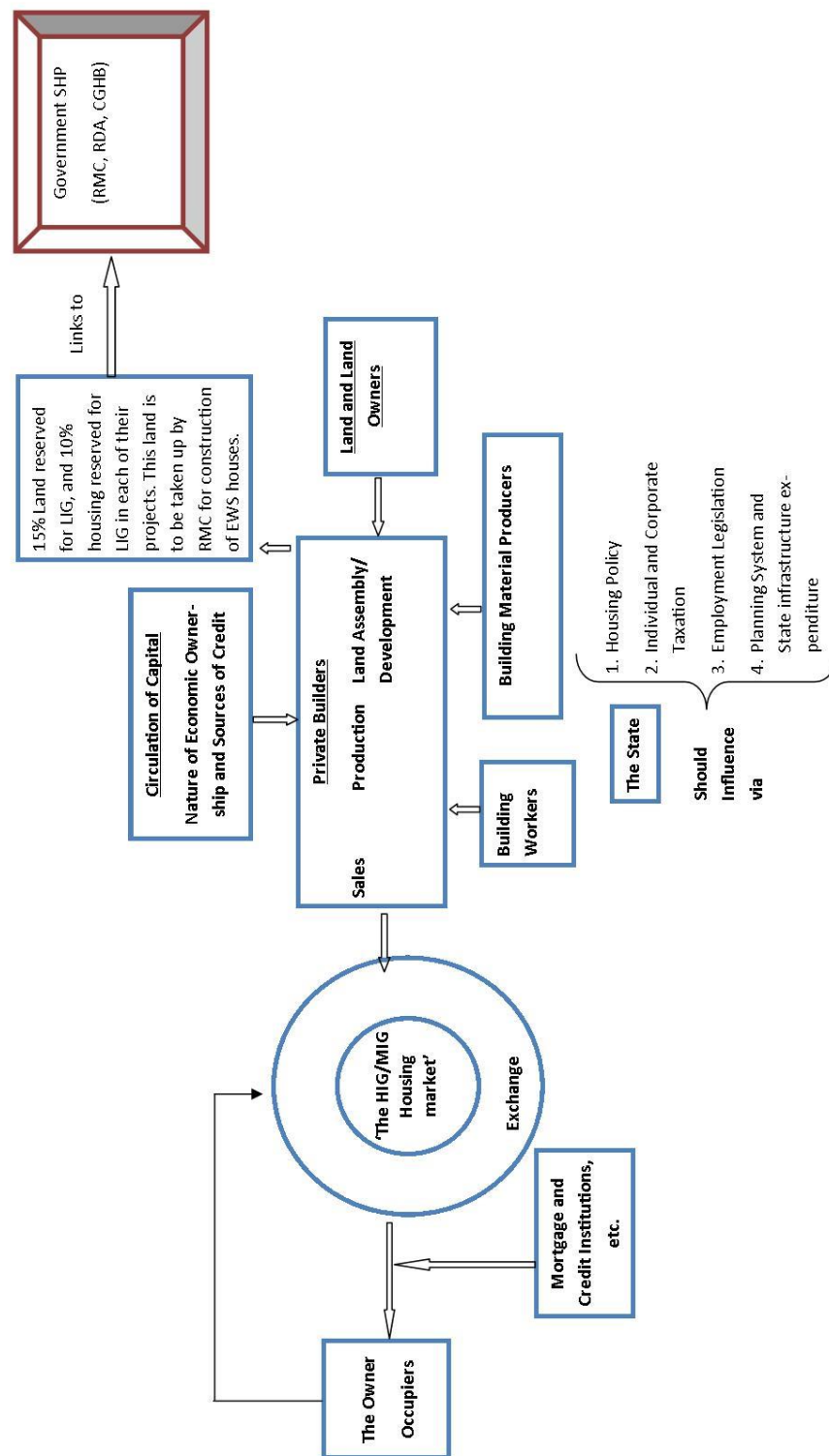


FIGURE 9.2 CURRENT SHP FOR HIG/MIG IN RAIPUR WITH LINK TO GOVERNMENT SHP

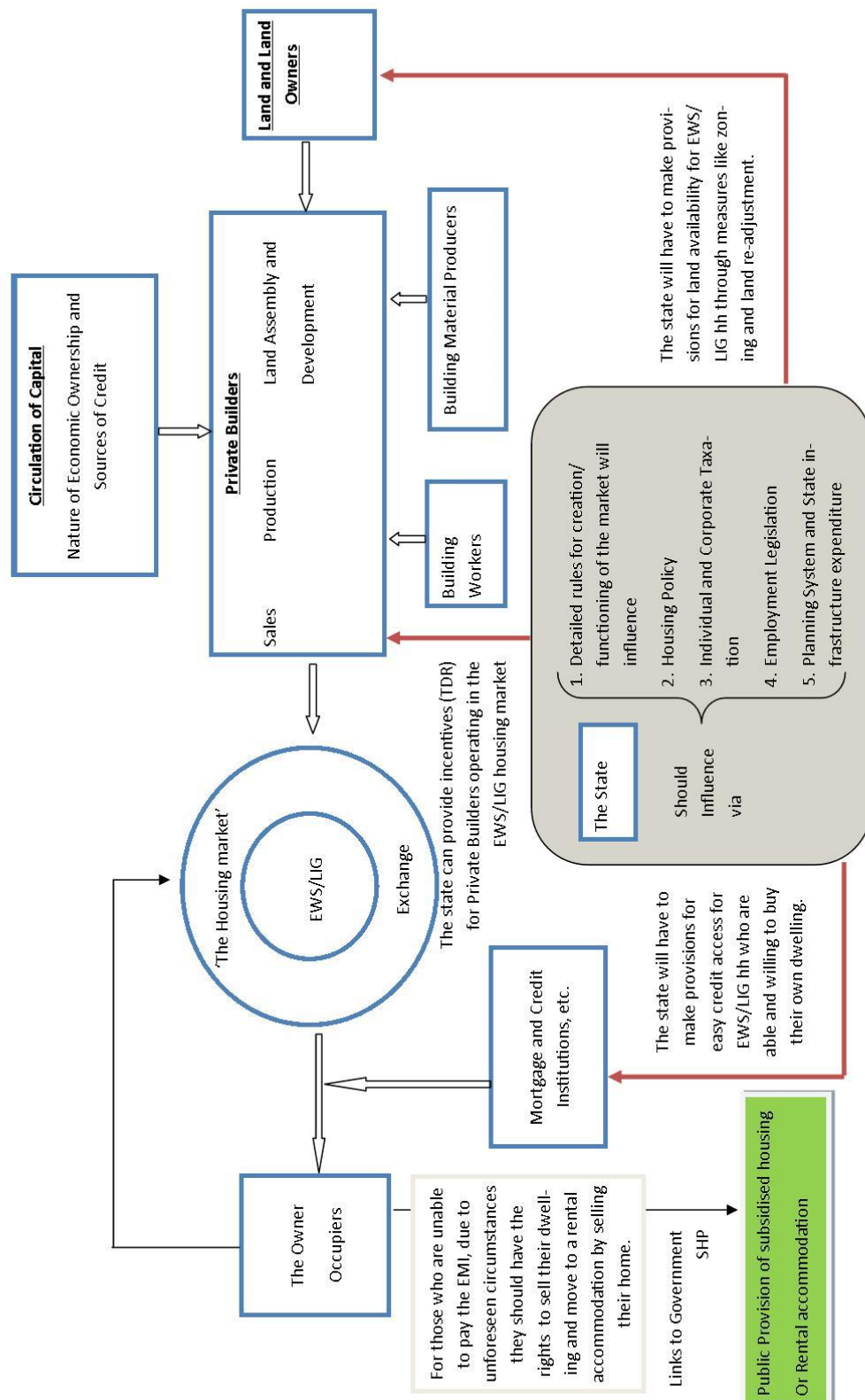


FIGURE 9.3 PROPOSED MARKET BASED SHP FOR AH IN RAIPUR WITH LINK TO GOVERNMENT SHP

It is beyond the scope of this thesis to propose the best possible way to address each constraint. Such decisions involve careful evaluation and planning in terms of the resource allocation by the state and centre, and political implications for other sectors. What is being proposed here is a new structure of housing provision.

In order to re-cast itself in the role of a facilitator for an AH market, the state government will have to limit its own housing provision to those who are unable to buy such housing. Demarcating this group however is easier said than done. One option may be that this housing is built in a communal style (with common kitchen and toilets), will be of a lower standard and so not be attractive to those who can buy AH through the private market. While it is possible to identify an income threshold below which households are unable to afford a house in the private market, there will always be exceptions. For example, those who are earning above the said limit but have other necessary expenses (such as a large family, a sudden medical emergency or other social commitments) might not be able to afford the down payment or the EMI.

SHP LINKS IN PARTIALLY SEGREGATED HOUSING SEGMENTS

The various SHPs currently operating in Raipur (as shown in Figures 8.2 and 9.1) are linked to each other (as Figure 9.4). The green boxes highlight some of the links that this study found between the various housing segments. For ease of discussion, if we are to segregate SHPs by the income groups they are serving, there will have to be one SHP for those who cannot afford to buy their own housing: to be serviced by the government. Then, there will be an SHP for those who can afford to buy but are currently unable to do so because of the institutional constraints. This is the focus of our study. For this group, a market based SHP will have to be designed, addressing the institutional constraints. Then, there will be the existing market based SHP for the mid and high income groups. The same suppliers may operate in various SHPs, or there could be new suppliers who enter to service the new market. However the rules for functioning within one SHP need to be applied uniformly. Different suppliers operating in the same SHP should not be governed by different sets of rules. This does not mean that other suppliers (such as NGOs or Housing Cooperatives) should be banned from providing AH, but that efforts by multiple agencies should be streamlined in a way that they do not sell below the market price. Providing subsidised housing to those who do not need such subsidies and are able and willing to afford their own housing diverts the limited resources from those who are truly in need of such subsidies.

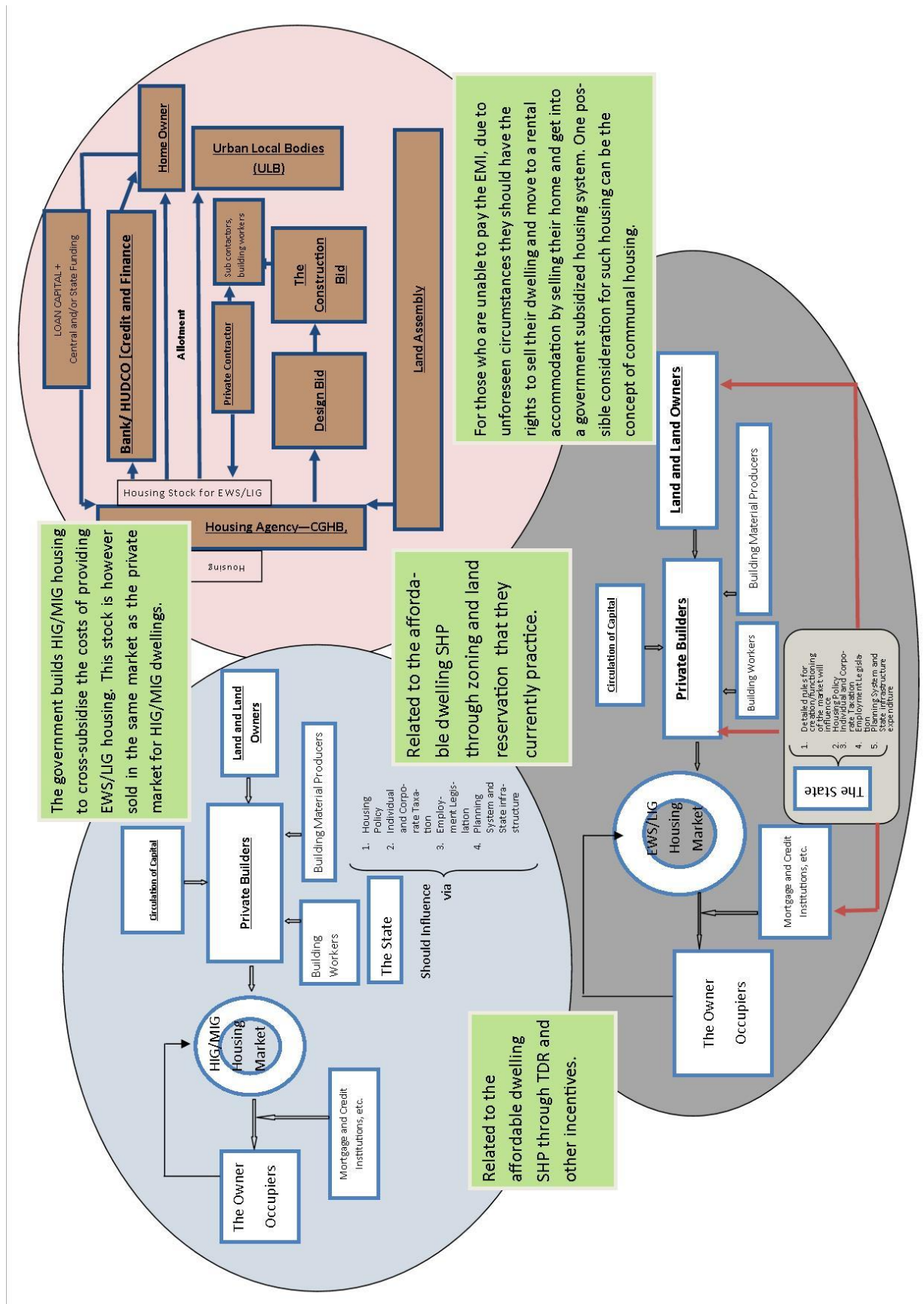


FIGURE 9.4: PROPOSED INTER-CONNECTED SHPS FOR RAIPUR CITY

As a consequence of there being several SHPs operating in the same city, the SHP for decent AH has to be related to the SHP for other types of housing there (they are 'partially segregated housing markets'). For example: for a supplier who is serving the higher end SHPs, a TDR benefit (see Appendix 9.1) could serve as an incentive to operate in the lower income SHPs also. In addition, households might want to be able to move from one SHP to another as their housing affordability changes. The key inference therefore is that, while SHP represents a working system as a coherent entity, it is also part of a much larger entity, which is represented by a system of partially segregated housing markets. If a new market based SHP was to be created, it will have to be linked to the existing SHPs (as shown in figure 9.4) based on a systematic study of how the market segments influence each other. The individual SHPs are explained in Figures 8.1, 8.2 and 9.2. For ease of diagrammatic representation, Figure 9.4 only shows an indication of the separate SHPs while the focus is on the green boxes that show the links between those SHPs. These links can also be seen in individual SHP figures. The point here is that in practice there will be many interrelationships between the various SHPs, so manipulation of the AH sector will have knock off effects on the current HIG/MIG market. Further research is needed to understand and assess such interrelationships.

Designing markets requires not only overcoming the barriers and addressing the constraints, but also formulating detailed set of rules and regulations that frame the market operations, based on an in-depth understanding of the context, operations and requirements.

9.3 SOME INITIAL RECOMMENDATIONS FOR RESTRUCTURING AH MARKET SHP

Based on the study, these are some initial policy recommendations. There are many interactions with other issues (such as labour markets, political implications of the slum clearance/slum redevelopment policy, social welfare, local economic development, planning) that have not been considered; such issues will need to be considered in practical policy implementation.

The recommendations below are divided into three sections –

- a) Introducing new institutions and practices
- b) Compliance with the new market regulations
- c) How these conditions might be introduced

9.3.1 INTRODUCING NEW INSTITUTIONS AND PRACTICES

National Level

The GoI will have to alter its rules so that the state government is allowed to channel its resources in a way that does not interfere or conflict with the goals facilitating AH market. The study suggests the GoI issue the following guidelines –

- 1) The slum consists of households with varying needs and affordabilities. Hence, having one slum policy targeting the entire population as a single group is not recommended.
- 2) The current policy of providing infrastructure (developing roads, drainage, or water pipelines) in a slum that has developed as a sprawl in a haphazard way constitutes an inefficient use of land and cannot be sustained for long. Therefore it is advisable to introduce land-pooling (land restructuring). In case of land-pooling/land restructuring, priority is usually given to existing residents.
- 3) The government is primarily responsible for the provision of housing for those who cannot afford to pay for their own housing.
- 4) The system of free houses in the event of slum clearance adversely affects the incentive for those slum households who have the ability and willingness to pay for their housing to move out. Therefore such accommodation is restricted to those who cannot afford to pay for their own housing²⁰⁷.

For those who cannot afford to buy, communal housing (along with single family rentals) can be made available to rent as part of the Affordable Rental Scheme that is being planned (The Task Force on Rental Housing, 2013) by the government. Those who cannot even afford rental housing should have access to homeless night shelters.

Moving from communal housing to single family rentals to owner occupied dwellings creates a clear incentive for households to move up the housing ladder. Creating a housing ladder allows households to move up or down the rungs in accordance with changes in their circumstances.

State Level

There are several organisations providing AH, but no organisation ‘owns’ the problem of ensuring ‘affordable housing for all’ as enshrined in the housing policy of Chhattisgarh. Therefore, at the state level a public sector body solely in charge of enabling an AH market (while other agencies such as CGHB continue to provide housing for those who cannot afford) needs to be created.

This new organisation will act as the mediator/negotiator between the various actors in the SHP and seek an informal consensus about the rules framing the market operations. This can be done by, for example: detailed meetings with the slum dwellers to understand their needs, aspirations and needed assurances; with the builders to understand the conditions that they might be willing to operate under; with the facilitators to estimate the resources that could be made available for monitoring and enforcement, as well as for arbitration and conflict resolution. The aim of such a negotiator is to fix, in principle, the terms under which the AH market exchange can take place in a socially acceptable manner and one that can be facilitated by the state. Based on this informal consensus, the organization will also be in

²⁰⁷ Those who could potentially pay and are willing to move out might initially need to be compensated in other ways (apart from an opportunity to buy their own housing) such as, first time buyer’s subsidy in the land-pooling scheme.

charge of setting guidelines for market operations. The state government will also be responsible for identifying how and at what level the constraints need to be addressed.

City Level

Income limits cannot be set pan-India for determining which households can/cannot afford to pay for their housing. This has to be determined at the city level. Even when such a limit is set, it should serve only as a guideline to determine who is eligible for housing outside the market sector, as the households should be able to determine for themselves what kind of dwelling suits their needs and their capacity to pay. Only in the case of those seeking government subsidised housing will there be a need to prove their inability to access market housing. It is at the city level that organisation(s) will be created to be responsible for monitoring, enforcement, arbitration and conflict resolution.

Even when the constraints are addressed and there is a profit to be made in supplying AH, builders will tend to build what brings in the most profit. Profits per unit are usually lower in AH markets. Therefore this market needs to be incentivised, be it in terms of specified areas that can be used only for AH or builders getting additional benefits for constructing AH, and/or working on large scale projects that can bring in economies of scale. The detailed rules and regulations that frame market operations and direct them to the desired goals have to be set at the city level.

9.3.2 COMPLIANCE WITH THE NEW MARKET REGULATIONS -

An important point to consider while designing market rules is the government's capacity to enforce them. Given that the government has limited resources for monitoring and enforcement, it is important that the markets to a great extent are self-regulating²⁰⁸ and transparent. Another approach to increasing compliance is ensuring that there is an informal consensus²⁰⁹ among all parties concerning the rules of the market before they are formally drafted. The market provides a platform for two or more parties who voluntarily agree to enter and complete the exchange. The rules are framed in order to protect the parties and allow for a fair exchange. When rules are considered fair and enforcing authorities legitimate, there is a greater likelihood of compliance.

9.3.3 HOW THESE CONDITIONS MIGHT BE INTRODUCED -

Reaching an informal consensus is a lengthy process; however such a consensus implies tacit social approval for the market rules and may increase compliance. Either a collective of the slum, or an NGO working among the slum dwellers, and consulting them, could represent their interests and voice their concerns as regards the demand constraints as well as the

²⁰⁸ Such as CREDAI's Transparency norms listed on its website, wherein developers and builders are willing to embrace an ethical code of conduct while selling their projects to inspire confidence among homebuyers.

²⁰⁹ While there will always be differences of interest, a market is based on a consensus to operate under a set of rules while exchanging goods.

rules of exchange²¹⁰. Similarly, CREDAI could possibly represent the suppliers. Finance and Credit institutions, as well as relevant government departments, can and should be involved as and when needed. Consultations and mediations should be facilitated by the state government organisation tasked with “enabling the market” (see above).

This is a change that requires considerable political will. It also involves a major political risk as it entails changing political priorities from immediate short term solutions to winning elections on a long term promise of coordinated efforts to create an AH market. This change in political approach for a party that has won elections three times in a row on the basis on grants and subsidies could jeopardise its position with slum-dwellers, who are used to immediate tangible benefits. These are some of the higher level governance issues that will need to be addressed.

Implementing the above recommendations should enable the government to address the separate constraints in a collective way. The possible actors in charge of addressing the separate institutional constraints, and potential ways to address them, are reported in Chapter 7. There, two important points are made: 1) there are multiple ways to resolve these constraints, 2) there needs to be a political debate regarding the ways in which the constraints should be addressed, so that possible resolutions can be evaluated and planned. Those resolutions concern state/centre resource allocation, and the economic/political implications for other sectors. Restructuring the SHP as a first step, along with setting up an institution solely for facilitating the market, would ensure that the actors involved in the SHP are aware of each other’s roles, and that responsibility for enabling the AH market is no longer lost in a disarray of institutions, policies and schemes.

9.4 REFLECTIONS ON THE THEORY AND METHODOLOGY

Alejandro Portes (2010), while acknowledging the remarkable rebirth of Economic Sociology, refers to a “disturbing” trend of returning to “social embeddedness of economic action” as if it were the only theoretical contribution economic sociology has to offer (p.1). Ensminger (1996), in a comparable vein talks about Anthropologists documenting “over and over again” the tendency of market relations to increase economic differentiation in the developing societies. Unsatisfied with the “dead end” that her own discipline seemed to lead her into, she began her search for a new theoretical direction (p.xiii). Such instances, of scholars borrowing theoretical concepts from other disciplines in order to further their analysis, are becoming more common. Needham et al. (2010) note how the debate about theories of land and real estate when conducted in terms of the economic without the social (as opposed to the economic integrated with the social) is not helpful, because such

²¹⁰ Sanyal and Mukhija (2001) have documented a case of negotiation in Mumbai between the government, a private builder and the slum dwellers represented by an NGO. The process of negotiation involved several conflicts among the various stakeholders but in the end the slum dwellers by-passed the NGO and made a deal with the builder which was acceptable to the state. The case demonstrated that, when given a platform for negotiation, the probability of willing sellers and buyers bargaining their concerns to come to an agreement is likely despite several interests in the mix.

discussions presuppose the possibility of making a distinction between economic and social factors. Ostrom (2008) discusses a similar predicament in the formal study of institutions, which arises because of disciplines being closed off from each other and students having to choose between the study of markets offered by Department of Economics, the study of hierarchies or states offered by Department of Political Science, and the study of communities offered by Anthropology and Sociology Departments (p.819). Acknowledging that markets, hierarchies, state and communities are not entirely different structures, and that there is considerable overlap, supports the need to study those overlaps, especially if the goal is to have a more complete and realistic understanding of how societies function.

There are now various disciplines (Economic Sociology, Economic Anthropology, NIE and even Political Science to some extent when it is studying markets) that emphasise the study of the social aspects in order to get a better understanding of economic actions. NIE bridges this gap by incorporating and theorising aspects of such social and economic interaction, using the concepts of transaction costs and property rights. However, theories that combine the social and the economic are still lacking. According to Portes (2010), this is due to the lack of a precise understanding of the character and role that ideas at different levels of abstraction play in the organisation of a given field, which can only come from a clear understanding of its constitutive elements.

This is especially the case with studies that inform policy. As seen in this study, policy prescriptions based on best practices in other places are unlikely to have the desired effect if they are not adapted to local conditions²¹¹. This adaptation requires knowledge of local institutions. NIE as a theoretical framework supports such an inquiry. However, the current concepts in NIE, while useful, could not adequately account for the institutions that were found constraining the housing market in this study. This is largely because in NIE, the institutions that have been theorised are those that are measurable, and/or those “that directly affect the transaction” while the general institutional context is taken as a given (Needham et al., 2010). This case study problematises the NIE framework of institutional constraints by identifying institutions that cannot be measured, nor categorised specifically as demand or supply constraints affecting market transactions, but nevertheless were found to be constraining the market from coming together. In many ways, this line of argument is better aligned with the stance of old institutional economics, which recognizes that “individuals do not simply (intentionally or unintentionally) create institutions but are fundamentally affected by them” (Hodgson, 2000). When the notion that the individual is moulded by cultural or institutional circumstances is taken into consideration, the contextual institutions become valid.

²¹¹ The unquestioned compliance with “best practices” and efforts to replicate them elsewhere, obscures the idea that they were conceived in context, that there is a process of normalisation that enabled such a practice to emerge – the cultural struggles, tensions, conflicts, collaborations, alliances and personal/professional justifications that prefigure the behaviour and the institutions (Moore, 2013).

Needham et al. (2010) have shown how old and new institutional economics can be combined to incorporate institutions in theories of land markets. One of their conclusions is to call for a more inductive (rather than deductive) approach to form theories. An inductive approach would mean detailed studies of individual cases that provide enough evidence to form localised or partial theories.

In terms of methodology in NIE there is a tendency towards positivist studies that can test the theory. Unlike an interpretive approach which supports multiple interpretations of a social system, positivist approaches imply that there is only one valid account for a social situation. While positivist approaches have made significant contributions in helping theorise and test NIE concepts of transaction costs and property rights, this study calls for a pluralistic approach that includes the interpretive stance. Without the interpretive approach, this study would have identified some institutional constraints and probably concluded that addressing those constraints would result in the creation of the market. Theoretically and even empirically, it sounds plausible. Indeed, it cannot be denied that addressing those constraints might help in creating a market. However, the plurality of research perspectives in this study (positivist using survey data, along with an interpretive approach based on anthropological research methods of observation and informal interactions) helped in identifying how these constraints are inter-related, which therefore poses a more complex challenge.

Ensminger is one of the prominent scholars who combine NIE and Anthropology in her research. Discussing how the two disciplines can complement each other, she calls their combination “a proper marriage” (1996). However, her discussion is limited to theory²¹²; of combining the individual actor approach of economics with anthropology’s appreciation of institutional constraints, incentives, and ideology (p.1-32). This discussion of how different perspectives of the same facts can be reconciled is important when combining the two disciplines.

Institutions are not always visible, because they are shared concepts that exist in the minds of participants as implicit knowledge. It is often difficult to identify these institutions, let alone measure them. Therefore in training researchers, the stress is on rules-in-use rather than rules-in-form (Ostrom, 2008). However, in a formal interview situation, without the aid of ethnographic observations, even questions such as, “how X is done here and why is Y not done” will probably result in participants sticking to official answers or party lines (i.e. ‘rules-in-form’).

In a study of institutions, information about the context is always important. Anthropological methods are more inclined towards contextually dependent observational approaches. Such methods support an interpretive stance. For example, this research

²¹² Frustrated with the theoretical stance of anthropology, which she felt was becoming a “dismal science” because of being limited to documenting the widening gap between the rich and the poor, she began searching for a new theoretical direction, which she found in NIE. Perhaps this is the reason her focus is more theoretical.

identified the practice of clientelism as a meta-constraint, which is neither a supply constraint nor a demand constraint. This challenges the theoretical claim of market enabling policies, that addressing the institutional constraints to supply and demand would inevitably result in a market arising. The inclination of NIE to focus on transactions, and its preoccupation with the need to test and theorise, risks rendering NIE (as any other grand theory) context-denying in nature. Policy prescriptions based on such theories are unlikely to succeed if they are not well situated. A study of institutions is necessarily contextual. Even if new theories cannot be formed by such contextualisation, the use of interpretive approach (and Anthropological methods) in NIE studies can contribute significantly by providing alternate interpretations of the policy problem: and that can help re-frame the debate.

9.4.1 SOME THEORETICAL CONSIDERATIONS

The key concepts in NIE which were initially considered for the study (Institutions, Property Rights and Transaction Costs) were found helpful in analysing this case (see chapter 8). However, the constraints²¹³ could not be completely explained in this way because the formal and informal institutions were interacting to regulate the housing provision. In order to take this into account, the study incorporated Michael Ball's (1983) 'structure of housing provision (SHP)' framework within the purview of Institutional Economics. As an analytical tool, SHP is applied within a defined theoretical framework and can be adapted to suit the context. The SHP as used by Ball (1983) is one application in one context. This case represents an application in a different context, and in doing so identifies areas where the SHP model could be expanded beyond the application made by Ball. This is not a shortcoming of SHP; rather it shows its flexibility.

SHP does not allow for the analysis of multiple market segments. The analysis isolates each segment and concentrates on understanding the mechanism of housing provision within that segment by identifying the actors operating within, and the institutions governing the SHP. In Chhattisgarh, the private and public builders cater for multiple markets. So for a builder, getting a TDR for high end market could be a strong incentive to enter a low income housing market elsewhere. Similarly, interactions between markets (new construction and old housing) – for instance where a new housing market does not take off because the old stock of housing does not sell - are not accounted for in SHP.

SHP assumes that there is one kind of provider for one market, or that when there are multiple suppliers they are governed by the same set of rules when operating within the same market segment. But in India, there are several providers for the same market, and they operate under different conditions. These suppliers have differing vantage points (as well as differing constraints). For example: housing cooperatives get credit benefits, NGOs in

²¹³ In reality, there are never a fixed number of constraints to be revealed. However, at any given point a number of possible constraints can be identified which if relaxed might promote an affordable market.

housing get tax exemptions, government agencies get subsidised land and/or other benefits. So while they are competing in the same market and influencing each other, they cannot be grouped as 'the supplier'. For each supplier, the process of acquiring land and getting credit is also different. The idea of SHPs provides no guidance with regards to how these mutual influences can be taken into account.

One way of incorporating such influences is to consider the SHP in each of the various housing segments as a coherent entity that is still connected to other SHPs (as shown in Figure 9.4). Or, separate SHPs can be drawn for each kind of provider and then merged with others to denote the mutual influences.

9.4.2 SOME METHODOLOGICAL CONSIDERATIONS

Existing studies of AH have been largely based on a single perspective – that of the slum dwellers in reports by national and international NGOs working in the slums²¹⁴, that of the builder in the industry reports²¹⁵, or that of the government in the government sponsored/government task force reports²¹⁶. By considering all the three perspectives, this study aims to fill that void.

This was designed as an exploratory study with the aim of mapping the contours of the research problem, largely because no prior studies have been conducted in Chhattisgarh on the subject. Some of the variables had to be therefore operationalised in a very simple way. The transaction cost was calculated in terms of the number of days spent in getting the approval. Similarly, the effect of institutional constraints on supply of AH was judged in terms of how binding the constraint is for the builder (stopping him from entering the market). The constraining effects on demand were calculated by adding the number of households who reportedly faced a particular constraint. Given the time available, and the need to cover all three groups, there were limits to being able to quantify better the effect of transaction costs and property rights on the market.

Many cultural factors are themselves institutions and these factors become especially important in societies, such as in India, where caste differences are prominent and affect market decisions. In Raipur, for example: some slum dwellers refused to be relocated into free houses because one particular caste that rear pigs (and are considered untouchables) were first allotted a set of houses in that block. The remaining houses are still vacant.

²¹⁴ Notably - National Slum Dwellers Federation (NSDF), Society for the Promotion of Area Resource Centres (SPARC) and United Nations and UN Habitat reports including Challenge of Slums. Other Academic literature includes Baken (2003); GTZ ASEM (2010); PRIA-WEBNET; Davis (2007); Bhattacharya (1998); Berner (2000); Chauhan, Shah, & Yadav (2010); Payne (2004); Smets (2002); Singh (1998); Muttagi (1998); Marx (2006); Mascarenhas (2010); Matsukawa (2010); Muttagi (1998); Mitlin & Satterthwaite (2004)

²¹⁵ See Agarwal, Jain, & Karamchandani (2013); CREDAI NCR; Cushman & Wakefield (2014); Deb, Karamchandani, & Singh (2010); Jones Lang LaSalle (NA); Mskinsey Global Institute (2010)

²¹⁶ See RICS and MoHUPA (2010); JNNURM (2009); JNNURM (June 2006); MoHUPA (2009); MoHUPA (2012); TG-12-Gol (2012); Technical Committee chaired by Dr. Pronab Sen (2010); Working group on Construction for Planning Commission (2012); Gol (2011)

Another instance relates to the failure of a mixed development plan (see Appendix 6.6). Having an institutional approach that engages with the wider social context of the policy-making process was important for the study. This was taken into account by combining quantitative with qualitative research. For example, accepting less precision in survey results allowed more time to be spent with each household in informal conversations before and after the survey.

There are always some influences which are considered "understood" or too obvious to state. Anthropological methods which delve deep into cultural influences and strive to study the issues from the perspective of the interacting individual can help to disclose such "too obvious to state" factors. If the study is being conducted in a familiar setting²¹⁷, the researcher will have the insider benefit and can ask questions which draw out such issues. This research benefitted from Anthropological/Ethnographic research methods in many ways:

- 1) The focus was on accepting the validity of other people's experiences, underpinned by the belief that people are willing to share their understanding and views as long as the listener appears unbiased, and committed to encourage "authentic" responses. This, I believe, allowed me to reflect more accurately on individual versus collective perspectives; and to encourage the households/interviewees to feel the need to align their responses with the perspective shared by the group.
- 2) Fieldwork extended well beyond the survey and the interviews. Cultural factors were observed, considered and noted in informal conversations with the house-help who lived in the nearby slum, or with the driver as we drove around, with auto drivers, fruit and vegetable vendors.
- 3) Apart from asking questions and conducting the survey, there were tours of the neighbourhood courtesy of some friendly slum dwellers, and regularly having tea at the tea-stall in the neighbourhood gave us a chance to tune in to the conversations around. Observations were made while waiting for an interview, in interactions with the clerks at the government offices for getting the data, or the zonal map.

This was balanced with some degree of defamiliarisation. Apart from general academic efforts to accomplish this (through the use of formal survey and interview guides, which has a greater distancing effect than the informal interviews used in ethnographic studies), other methods employed (as suggested by Alvesson & Kärreman, 2007) include using unconventional and varied literature, drawing from personal and research experiences that are different from those in previous studies²¹⁸, and discussing the research regularly with people who might offer different viewpoints. The lack of a research team, to discuss ideas with, was to a large extent made up for by constant interaction with the supervisor, and to a

²¹⁷ Fieldwork being conducted in an organisation, state, country that the researcher is familiar with

²¹⁸ Fieldworks conducted as part of the two Masters degrees in India, as well as those during the past work experience, both in India and in US.

lesser degree from discussion meetings/regular correspondence with other PhD colleagues in the department/university.

The empirical evidence thus collected allowed for a much wider consideration of what constitutes a constraint, as well as for inclusion of constraints which are not conventionally within the realm of NIE (structural constraints, or constraints arising due to informality). This duality in approach (of familiarity and defamiliarisation) helped counteract the narrow viewpoint of one cultural paradigm. It was also able to identify other important issues such as low enforcement and compliance, which although not included in the study because of time and resource limits, are relevant to the theory of market enablement and have been listed as areas for future research.

9.5 CONTRIBUTION TO KNOWLEDGE

This methodology used in this research for conducting institutional studies that takes into account multiple perspectives has wider application. While this thesis focussed on AH, the theoretical and methodological contributions made here can apply to other sectors. It also provides the foundation for a national strategy for creating an AH market, and a starting point for more comprehensive and detailed research.

9.5.1 INTERACTION OF FORMAL AND INFORMAL INSTITUTIONS

- This study challenges the neo-liberal theory of market enablement enshrined in the earlier stance of the World Bank (1993) namely, that a market, when there is a potential, will emerge through deregulation and privatisation. This is rejected by highlighting that many constraints arise from informal institutions, and hence cannot be addressed by only taking the formal institutions into consideration.
- This also applies to the strategy later developed by the World Bank (2000) which focussed on addressing critical institutional constraints of land, credit and transaction costs, by demonstrating that institutional constraints are not independent of each other, therefore addressing individual constraints, even if they are critical, might not result in the formation of the desired market. This understanding that the formal and informal institutions interact to form a structure (or a complex of institutions) that can present barriers to change might also apply to other sectors where institutional change is desired.
- Understanding the social context is of vital importance in doing an institutional analysis. Mixed Income Housing Development that works well in other countries (most notably US) did not work in Raipur and the government was forced to change the law to suit the local social context (see Appendix 6.6). Transplanting institutions, without regarding the social acceptance of such regulations, cannot be successful.

9.5.2 BROAD THEORETICAL FRAMEWORK

- This study had to employ the concept of clientelism from Political Economy to explain behaviour patterns that could not be accounted for in NIE. Hence, theoretical

frameworks that research the issue of AH in developing countries have to be broad enough to include various theoretical paradigms. Failure to do so might result in interpretive bias, following from a closed theoretical orientation.

9.5.3 USING INTERPRETIVE APPROACH IN NIE

- NIE is concerned with the study of institutions in an economic setting such as markets, which operate within a community, governed by state and other regulations and norms. While the regulations are explicit, the norms and community interactions are usually more implicit. An interpretive stance and Anthropological methods of Observation can be helpful in studying these implicit interactions.

9.5.4 DELIBERATE STRUCTURING OF AH MARKETS

- Even when the constraints are addressed, pro-poor markets will not automatically emerge. They will need to be purposefully designed/structured with detailed rules and regulations framing the market operations.
- The market for decent AH is not independent from markets for other types of housing. The policy makers therefore have to consider the influence of one housing market segment on the other. The concept of the SHP provides a tool for identifying the actors involved and their motivations. It can also help in delineating separate SHPs, and identifying the connecting links/influences between the SHPs.

9.5.5 HOUSING POLICY FOR SLUMS

- One housing policy cannot be applied to all slum dwellers. Slums have households with varying levels of housing affordability, needs and aspirations. Some of those households have the ability and willingness to buy their own AH.
- While it is understood that housing solutions need a multi-pronged approach (Keivani & Werna, 2001) there is a good chance that one approach can hinder another. For example, slum upgrading and public provision of subsidised housing can hinder the market enabling approach.

9.6 AVENUES FOR FUTURE RESEARCH

One of the avenues for future research is the nature and scope of planning measures and their effect on AH market. Another topic is the issue of entitlement, as to how the slum dwellers view 'their rights' with regard to squatting. The possible free home that the slum dweller might receive in case of the slum being cleared creates a strong incentive to stay in the slum. Having stayed for so long in the slum, they feel entitled to the promised free house. This free house is, however, not a legal entitlement but a political favour, obtained in

the same way as they sought the right to squat²¹⁹. Assessing the effect that such entitlements can have on AH market requires further study.

The government's capacity to check and enforce is limited in India, as in most other developing countries. Therefore, issues of compliance in a low enforcement environment and their impact on the AH market need to be researched. Similarly, the issue of legitimacy when the regulations are mostly imported or are of foreign origin, and how it influences compliance, is another potential area for research.

9.7 CONCLUSION

This chapter used the insights from the field study to improve the understanding of why the AH market could not come together despite the continued efforts of the government. It highlighted that market enabling efforts have been concentrated on formal institutions, rules and procedures. While the formal institutions are important, they do not provide a broad or deep enough view of the actors and institutions that are involved in the provision of housing.

The chapter also presented some recommendations on how to create such a market. It highlighted the existing constraints and the possible risks that the government may face when trying to create a market. The insights gained from this study can provide a grounded basis from which to continue theoretical and empirical investigations on the subject. It also outlined areas for further research.

To borrow the words of Raghuram Rajan (2013), governor of the Reserve Bank of India: *Change is risky, but as India develops, not changing is even riskier*. If the status quo were to continue, the current challenges that the urban poor face in the slums will only escalate. The growing slum population presents social and environmental problems of enormous proportions. A part of the problem can be addressed by recognising and acknowledging that there are various sections among the slum dwellers with different needs and capabilities. This research presents some solutions to address the housing needs of a section of the slum-dwellers who are able and willing to buy their own decent AH if it were available.

²¹⁹ The NGOs working with the slum dwellers in India often support the slums dwellers' right to stay in the slum, claiming that they have obtained the 'right to squat' in exchange for the political patronage. The draft model bill on Property Rights to Slum dwellers Act, proposed in November 2011, formally acknowledges that entitlement, and if passed will grant property rights to slum dwellers. It allows the slum dweller to purchase 25sqm of land at below-market prices (to be fixed by the government).

APPENDIX

APPENDIX 1.1: SOME DEFINITIONS

Economically Weaker Sections (EWS) and the Lower Income Groups (LIG): During the fieldwork (January-August 2012), the GoI had defined a family earning Rs. 2000-5000 (approximately USD 36-90) monthly as EWS and a family earning Rs. 5000-10,000 (approximately USD 90-181) monthly as LIG. The slum households however have varying monthly income. So in some months they may earn around Rs.6500 while in other months they earn around Rs.5000 or less. Therefore, in this study, EWS was defined as having a family income of Rs.2000-6500 per month and LIG was defined as a family earning Rs. 6500-12500 per month. Even if the family reported that some months they made Rs.6500 and other months they made more, they were considered EWS. Similarly with the LIG.

A family earning less than Rs.2000 per month was defined as living Below the Poverty Line [BPL]. However, our survey of 21 slums in Raipur did not come across any family in the BPL category. Also, all of the EWS families that the study surveyed as part of a random sample were earning more than Rs.5000 per month.

In November 2012, the Government of India revised its definitions [vide notification: D.O.No.I-14012/59/2005.H-II/FTS-1465] for EWS/LIG. EWS is now defined as a family earning less than Rs. 100,000 per annum. LIG is a family earning Rs. 100,001 – Rs. 200,000 per annum. The lower limit of EWS has not been indicated. The new BPL limit is yet to be determined.

Household: A group of persons normally living together and consuming food from a common kitchen constitutes a household. It includes those who stayed with the family for more than 6 months a year but excludes temporary visitors and guests.

Denominations

1 Lac/Lac = 100,000. So, Rs. 1 lac = \$1818 (Conversion \$1=Rs.55)

1 Crore = 10,000,000. So, Rs. 1 Crore = \$181818 (Conversion \$1=Rs.55)

The current exchange rate [7 January 2013] is 1 USD= 54.34 Indian Rupee. For calculations in the thesis \$ 1 = Rs. 55 [approx].

Affordable Housing (AH) is defined by this study as a dwelling with five basic amenities - toilets, water supply, electricity, drainage, roads. The cost of a 300 ft² EWS dwelling was estimated at Rs. 3 lacs, and a 500 ft² LIG dwelling at Rs. 5 lacs. The area of the dwelling, and construction protocols are according to the minimum standard stipulations of the Gol.

There is no standard definition of an affordable EWS/LIG dwelling in India. The definitions are project specific and change according to the city/town in which they are located. JNNURM (2009) defines AH as: houses ranging from about 300 ft²(super built up area) for EWS, 500 ft², at costs that permit repayment of home loans in monthly instalments not exceeding 30% to 40% of the monthly income of the buyer.

The Report of the Task Force on Promoting Affordable Housing (2012), defines AH as: Individual dwelling units with a carpet area of not more than 60 mt². And preferably within the price range of 5 times the annual income of the household as notified, either as a single unit or part of a building complex with multiple dwelling units. Along with the above definition the report also considers the National Building Code's definition of a dwelling unit and recommends that new definitions of AH "should include separate facilities for living, cooking and sanitary requirements which are a minimum of two rooms, a water sealed toilet, bathroom, individual potable water connection, and space for a kitchen".

All construction needs to follow the guidelines/criteria listed in the National Building Code of India, which specifies construction, occupancy and safety features (such as the requirements of building materials, structural design, constructional practices, building services including plumbing, water supply, drainage and sanitation, solid waste management, landscaping, signs and outdoor display structures).

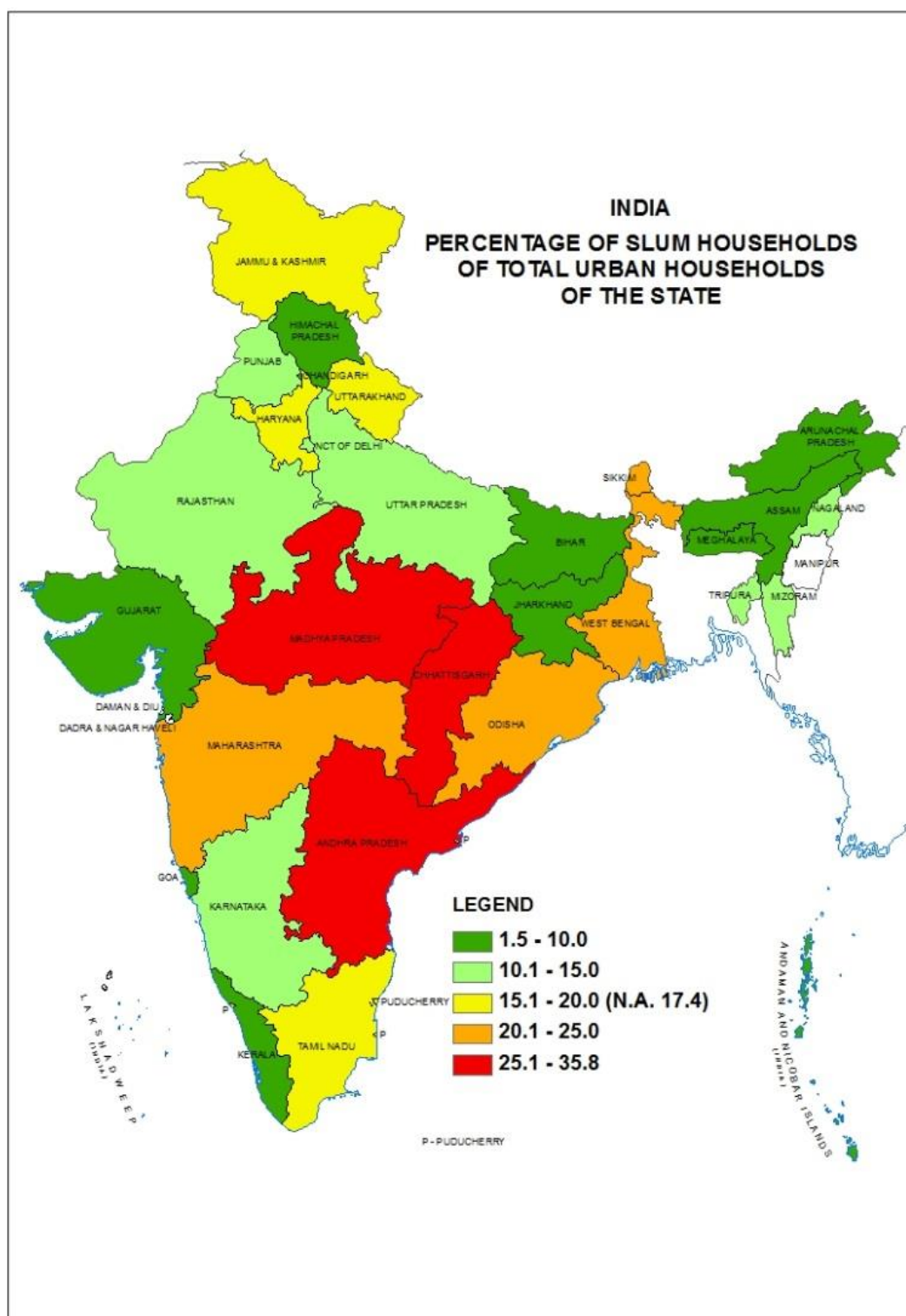
Transfer of Development Rights (TDR): A TDR makes certain amount of additional built up area available in an alternate location (possibly a high income property) in lieu of either the area relinquished for EWS/LIG or housing built for EWS/LIG so that the builder can use the extra space or transfer it to another in need of the extra built up area for an agreed sum of money.

"A TDR programme seeks to preserve landowners' asset value by moving the right to build a house from a location where development is prohibited (e.g., for environmental reasons) to a location where development is encouraged. In the place where development is encouraged under TDR, zoning is changed to permit more units to be built. This generates the opportunity to earn more money from development than landowners would have received in the absence of the TDR programme. Because the money from this change in zoning is a windfall to current landowners in the development zone, the state is justified in laying claim to this money and turning it over to people whose development rights were taken away as a result of the environmental regulation. If it works properly, nobody is any worse off

financially than they would have been in the absence of the combined environmental/TDR programme (NJ AES)."

The government's main objective in a TDR programme is to steer the market towards more socially desirable goals. The two important terms used in TDR are *Sending and Receiving Zones*. A Sending Zone is where the building rights to a part of the land have been relinquished (as in case of Chhattisgarh, when reserving a part of the land for EWS). It is called a sending zone because the development rights are "sent" out of it. The Receiving Zone is where a developer buys a right to build more units than currently permitted in the local zoning ordinance. These zones "receive" development rights. In the case of the Chhattisgarh, the receiving zones are likely to be the MIG/HIG sectors. While TDR presents many opportunities, the concept faces many obstacles in implementation, such as, finding communities that will locate receiving areas for higher-density development; calibrating values for development rights in sending and receiving areas to insure a market for the rights; creating a programme that is simple enough to understand and administer, but complex enough to be fair; developing community support to insure that the programme is used; avoiding litigation and evasion (Lane, 1998). However, in more recent times, TDR has gained more currency and is believed to be easier to implement than typical zoning programmes. TDR programmes are also more permanent than traditional zoning regulations and present a potentially powerful land use tool (Hanly-Forde, Homsy, Lieberknecht, & Stone).

APPENDIX 1.2 PERCENTAGE OF SLUM HOUSEHOLDS TO TOTAL URBAN HOUSEHOLDS (CENSUS 2011)



Source: Chandramouli, 2011

APPENDIX 1.3 THE CASE STUDY METHOD

Alston (1996) considers case studies “especially important”²²⁰ for NIE because it enables analysis of both the determinants and consequences of institutional change. Such analysis often requires an extensive and in-depth description of some social phenomenon and case studies produce strong context dependent knowledge.

Strong contextual knowledge was considered essential for identifying institutions constraining the demand for and supply of AH. Questioning “how” and “why” from multiple perspectives (the builders, the EWS/LIG population, key government officials) allowed for a holistic and deeper understanding of the constraints.

In general, case studies are the preferred method when (a) “how” and “why” questions are being posed, (b) the investigator has little control over the events, and (c) the focus is on a contemporary phenomenon within a real-life context. This situation distinguishes case study research from other types of social science research. Nevertheless, the methods all overlap in many ways not marked by sharp boundaries (Yin R. , 2009).

The methods of data collection used in case studies, which sometimes overlap, are: interviews, surveys, observation, group discussion, informal discussions, and secondary data collection from the government offices and builders.

Limitations of using the case study method

Understanding and acknowledging the strengths and limitations of case study research helped avoid some of the common pit-falls.

Case studies may be considered biased, personal and/or subjective. Ragin²²¹ (1992) and Flyvbjerg (2006) point out that case study has its own rigour, different but no less strict than the rigour of quantitative methods. Both further argue that the question of subjectivism and bias toward verification applies to all methods, not just to the case study and qualitative inquiry. Flyvbjerg (2006) says that “the case study contains no greater bias toward verification of the researcher’s preconceived notions than other methods of inquiry” while pointing out that past studies indicate that the case study contains a greater bias toward falsification of preconceived notions than toward verification.

In order to minimise subjective biases a rigorous random sampling was used, and the data was systematically addressed through regular triangulation practices of cross-checking the opinion with facts from official documents and other literature available.

Case study methods often produce results which are not generalisable to other situations, because they are limited to the case in hand. The only way to address this, as suggested by

²²⁰ “With the present state of theoretical knowledge about institutions, the case study approach is the only way to further our knowledge about institutional change” (Alston, Empirical work in institutional economics: an overview, 1996)

²²¹ Ragin (1992) using the term “small-N qualitative research”.

Flick (2009), is by doing a series of case studies. However, it is often advised not to carry out multiple case studies concurrently, because there is a risk that the resources get split between the different cases and the resultant study might not be as “in-depth” an analysis. A comparative study of two or more cases has also been avoided, as it may end up as a discussion of different outcomes in different contexts, rather than the context-specific analysis of the interaction between various formal and informal institutions over time (ibid.).

Yin (2009) argues that case studies, like experiments, are generalisable to theoretical propositions but not to populations or universes. In this sense, the case study, like the experiment, does not represent a “sample”, for the goal is to expand and generalise theories (analytical generalizations) and not to enumerate frequencies (statistical generalisation). He explicitly cautions that cases are not “sampling units” and should not be chosen for this reason, but instead a previously developed theory is to be used as a template with which to compare the results of the case study.

This study is also generalizable in terms of providing a methodology for doing an institutional analysis taking into account multiple perspectives.

APPENDIX 2.1 WORLD BANK'S HOUSING MARKET ENABLING STRATEGY AND MEASURES TAKEN BY GOI AND GOCG

World Bank's Housing Market Enabling Strategy			Measures taken by Goi and GoCG
Demand Side Interventions	Developing Property Rights	Systems of private, tradable, and enforceable property rights should be developed. Programmes of land registration and regularization of insecure tenure should be undertaken. Whenever possible, programmes for regularizing tenure should go hand in hand with infrastructure improvement in slum and squatter settlements, and should seek to recover costs. Governments should seek to transfer publicly owned housing to residents and should involve the private sector in the administration and maintenance of public housing.	There is already a system of private, tradable and enforceable property rights system, but land cadastral systems can be improved. GoCG is introducing GIS to improve the land cadastral systems. The slums upgrading programme works on infrastructure improvement in slum and squatter settlements, and slums are "regularized" every 10 years. Government build housing is transferred/ allotted to homeowners directly.
	Developing mortgage finance	Development of mortgage lending must go hand in hand with overall financial sector development. Financial policies should permit institutions to borrow and lend at positive real interest rates and on equal terms with other institutions. Competition should be encouraged to improve efficiency. Mortgage instrument designs should permit the interests of both borrowers and lenders to be realized through appropriate terms, especially indexing provisions. Collateral security should be fostered by well-designed and enforced systems of titling and foreclosure. Innovative institutional arrangements for promoting greater access to housing finance by the poor, such as mutual guarantees and flexible payment schedules, should be encouraged. Lending for the provision of rental housing, which houses the majority of the poor in many	Goi established the National Housing Bank (NHB) in 1988 to create and foster Housing Finance Corporations (HFCs). The government also set up various other initiatives such as Credit Risk Guarantee Fund Trust for Low Income Housing, The Rajiv Rinn Yojna, India Mortgage Guarantee Corporation Pvt. Ltd. for developing housing mortgage finance. The total housing credit outstanding in India stood at Rs. 7.59. billion by the end of March 2013. Housing to GDP ratio is around 9% indicating the good quality of lending to the sector though it is lower than many other developed and developing countries. Lending to the lower most segments of the society availing loans of up to Rs. 5 lacs constituted just 22.75% because most EWS/LIG lack the necessary identity and address

		developing-country cities, should be facilitated.	proof to access credit. UIDAI was set up in 2009 to provide a unique identity to every Indian citizen.
	Targeting subsidies.	Governments should see subsidies as either transitional or as a last resort. They should first try other methods for improving access to housing, such as regularizing insecure tenure, improving access to market-rate housing finance, removing barriers to the production of rental housing, or improving housing supply markets to reduce prices. If subsidies are necessary they must be well-targeted (based on households rather than Dwelling Units), measurable, and transparent, and should avoid distorting housing markets. Subsidies in the form of rent control, which have been shown to be inequitable and to distort markets and reduce housing supply, should be avoided. One-time capital grants and housing allowances are usually more appropriate than rent control and production subsidies.	Rajiv Awas Yojana (RAY) was introduced in 2011 under the JNNURM for making India slum-free. 25% of residential stock that has been set out for slum housing is dedicated to rental housing. Further, a task force (2013) recently presented its report on Policy and Interventions to Spur Growth of Rental Housing in India. Rent control regulation was scrapped. Subsidies in housing schemes however continue. The approach to 12th Five year plan document (2011) referring to the subsidies model as a last resort option and acknowledges that affordable housing is a particularly critical concern and in the absence of a viable model that caters to AH, India is meeting the challenge through a set of policies and incentives that will bridge the gap between price and affordability. Two of the recent reports also stated that it would be unrealistic to assume that those living in the slums would have “the affordability and access to the burgeoning supply in the market” and that “at current unit prices, EWS/LIG segments cannot afford housing, and capital and/or interest subsidies are required” (MoHUPA, Gol, 2012).
Supply side Interventions	Providing infrastructure for residential land development	Continued attention should be given to both improving residential infrastructure in slum and squatter settlements and extending it to new areas. The agencies responsible for provision of residential infrastructure (roads, drainage, water, sewerage, and electricity) should focus less on	The slum upgrading programmes under JNNURM currently focus on improving residential infrastructure in slum and squatter settlements. Chhattisgarh pioneered in developing zoning regulations such as reserving 25% land and housing for EWS/LIG which

		narrow physical objectives and more on opening up urban land for residential development. This involves greater coordination in planning and possibly joint acquisition of rights of way, joint financing, and joint cost recovery. Infrastructure agencies should devote greater attention to local demand for infrastructure. Existing communities should be encouraged to participate in the process of planning and building of infrastructure projects, to ensure accountability and smooth implementation. Cost recovery mechanisms need to be improved and opportunities for privatising infrastructure provision and maintenance sought.	was taken up by the Gol as a best practice and is now part of the new AHP guidelines. However, according to the estimates of the McKinsey Global Institute (2010) the resources outlay for infrastructure has to be increased from 0.5% of the GDP to 2.0% annually.
	Regulating land and housing development	Regulatory environments need to provide an appropriate balance between the costs and the benefits of regulations that influence urban land and housing markets, especially land use and building. Regulations need to be established in a way that benefits rather than penalises the poor, as is now often the case. To accomplish this, audits need to identify key urban regulations; to establish their impacts on housing demand, supply, and prices; and to set priorities for regulatory reform. Alternative, affordable standards that do not compromise environmental, health, and safety concerns should be considered. Financial regulations must be established that facilitate rather than hinder development of mortgage lending.	Regulatory audits have been started to reduce regulatory complexity, however the current timelines definitely are a supply constraint.
	Organising the building industry.	Governments should seek to create greater competition in the building industry by eliminating regulatory barriers to entry, breaking up monopolies, facilitating equal access of small firms to markets and inputs, removing constraints to the development and use of local building materials and	Currently the government is the largest provider of AH in Chhattisgarh. While there is no restriction on private firms entering the competition, the current rules do not allow for a competitive market in AH. The Central Building Research Institute, India, was set

		construction methods, and reducing trade barriers that apply to housing inputs.	up as a research organisation to work on low cost construction techniques including building materials, construction technology, fire engineering and disaster mitigation construction. An NGO working on low cost construction techniques in Chhattisgarh was also part of the facilitators group.
Institutional Interventions	Developing a policy and institutional framework for managing the housing sector to ensure that markets provide adequate and AH for all.	A new institutional framework should make it possible for government, with its limited resources, to manage the housing sector in a manner that provides adequate and AH for all. In most countries, an institutional mechanism is needed for overseeing the performance of the sector as a whole and coordinating the major public agencies that influence housing sector performance. Few countries now have such coordinating mechanisms. Institutional mechanisms should be devised to collect, analyse, interpret, and publish data on the performance of the housing sector, particularly concerning its outcomes with respect to the poor; provide an institutional linkage between housing and macroeconomic planning; generate long-term plans for housing sector development in conjunction with the central planning agency; provide a forum for participation of the private sector, NGOS, community-based organizations, and the general public in housing policy formulation at both the national and municipal levels; review the effects of regulations on housing; initiate regulatory reforms; engage in housing policy research; and influence decision-makers in housing-related agencies and local counterpart institutions to improve housing sector performance. In addition to the functions of policy formulation, coordination, and	The strengthening Urban Management Programme (SUM) was set up in partnership with the World Bank Institute, City Manager's Association of India and its state level chapters (funded by USAID), and the Centre for Good Governance, Hyderabad set up with WB funding for capacity building and training purposes. There have been additional institutional mechanisms set up (Report of the Task Force on Promoting Affordable Housing, 2012; Report of the Technical Group on Urban Housing Shortage for 2012-17, 2012) to collect, analyse, interpret, and publish data on the performance of the housing sector, particularly concerning its outcomes with respect to the poor. (i) The NHB was established to oversee the regulatory framework for the delivery of housing finance by the private sector, for developing effective instruments for directing mortgage lending to the poor and for providing an institutional linkage to the Ministry of Finance on the performance of the housing sector (publishes an annual report on Trends and Progress in Housing), and propose new legislation to improve sector performance. (ii) Housing subsidies are focused on beneficiaries

		<p>monitoring, other institutional responsibilities, which correspond to elements of an enabling strategy, must also be addressed by a variety of institutions.</p> <p>The most pressing of these functions are (i) establishing and overseeing the regulatory framework for the delivery of housing finance by the private sector, for developing effective instruments for directing mortgage lending to the poor and for providing an institutional linkage to the Ministry of Finance and the on the performance of the housing sector, and propose new legislation to improve sector performance. Central Bank; (ii) administering housing subsidies for the needy, focusing on beneficiaries rather than on dwelling units; (iii) establishing and broadening property rights, especially through regularising tenure in squatter settlements; (iv) providing infrastructure in slums and squatter settlements; (v) bringing together infrastructure agencies to coordinate infrastructure provision to create an adequate supply of serviced land, and to review the impact of various regulations</p>	<p>rather than on dwelling units; (iii) Slum upgrading programmes are designed to establish and broaden property rights, especially through regularising tenure in squatter settlements and (iv) provide infrastructure in slums and squatter settlements.</p>
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The Society for Participatory Research in Asia (PRIA-WEBNET) reports: In the year of 2005-2006 RMC had enlisted the various slums (their population and locations) in its jurisdiction, under JNNURM. According to that list, the total number of slums in Raipur was 282. Thereafter, as result of the implementation of various central and state sponsored schemes many these slums have shifted, demolished and rehabilitated. However, the list was not revised by the municipality.

The RAIPUR CITY DEVELOPMENT PLAN developed under JNNURM (2006–2013) reports, “according to information available from RMC, Raipur has 52 slums sprawling the city and constitute one-third of city population i.e. about 32 % of population resides in slum, squatters and other poor settlements in the city and surrounding villages. In the RMC they are mostly concentrated on the central part of the city [p.155] (JNNURM, SUDA, June 2006)”.

An Appraisal of [Raipur] City Development Plan reports, “the city’s population mentioned in the CDP for 2001 does not match with the population of RUA or RMC as per the census, 2001. Although there are 12 outgrowths and two census towns at the periphery of the RMC, it is not clear whether they are merged in the RMC or not. Methodology used by the CDP for projections of the population is not clear” (National Institute of Urban Affairs, March 2006).

A slum profile commissioned by GTZ²²² for RMC appears to be the most authoritative report. It points out that the difference in slum population figures could be attributed to the fact that *“the operational definition of a ‘slum’²²³ in Raipur is unclear from the City Development Plan (CDP) and the documents produced by the Raipur Municipal Corporation. According to the CDP, slums are characterised as areas experiencing environmental decline, inadequate infrastructure and no access to basic services. Under this definition the CDP identifies 154 slums with a population of 159120 people in 2010. According to the most recent data from the Raipur Municipal Corporation, there were 282 slum pockets with a total population of 516,829”* (GTZ ASEM, 2010).

Table A1: Slum Population in Raipur City [Source: GTZ slum profile - Raipur]

²²² GTZ is working with the RMC on City Sanitation Programme, and are housed in the RMC office, hence the likelihood of their having access to official documents like the Raipur City Master Plan 2021 and the RMC SLB benchmarking document which have not been made public yet.

²²³ This study did not need to define a slum because the target was EWS/LIG. The reason the study was conducted in the slums was because they were mostly residing in such areas.

Slum population	Total No. of Slums	Slum Population from various sources	No. Of Households	Source
1991	-	97,264	-	CDP
1998	154	159,128	26899	Raipur city master plan 2021
2001 census	154	159,120	26899	Census – CDP
2005(Estimated)		369,929		CDP
2006	282	464,468	61399	Raipur city master plan 2021
Most recent data 2009 (Projected) from Municipal corporation (year needs to be confirmed with RMC)	282	516,829	-	Raipur Municipal Corporation SLB benchmarking Document

APPENDIX 6.1: COST ESTIMATE OF A 300 FT² HOME WITH 5 BASIC AMENITIES

The average estimate from the 30 builders is presented in the table below. The cost of land in the estimates varied depending on where the land was situated [for example, the North East of the city was considered expensive as it was closer to the VIP road/Civil lines and the airport - the posh area of the city, while the land in the Southern part –Dhamtari road was considered half as cheap as that in the North East. The cost of construction depends on the builder and the reputation he has in the market, where smaller firms quoted Rs.800/ft² and larger firms mentioned needing Rs.1000/ft² for quality construction. Larger firms sought higher profit margins while the smaller firms usually worked on lower profits.

TABLE 6.1: ESTIMATED COST OF A 300 FT² EWS DWELLING UNDER PRESENT RULES

Estimated cost of a 300 ft ² EWS dwelling calculated at an average FAR = 1.45	Average Estimate (Cost) in Rs. Rounded off	Standard Deviation	Percentage of the total cost	Approximate cost in dollars [conversion rate 1\$ = Rs.66]
Land	84350	38511	20%	\$ 1278
Construction Cost	233300	46316	56%	\$ 3535
Development Cost(Roads, Playground, garden) + Utilities(Electricity, Water)	41966	20058	10%	\$ 636
Profit + Overheads	57517	28317	14%	\$ 871
Registration + taxes	The EWS in CG is exempt from paying for Registration and Taxes. Otherwise, the developers gave an estimate of 8% of the total cost for Registration and Taxes.			
Total²²⁴	417133	-	100%	\$ 6320

The average cost of a EWS dwelling was Rs. 417,133. In one of the earlier interviews (Interviewee-02B, 2012), which also happened to be one of the longest interviews, there was a detailed discussion on the possibility of reducing this cost. According to the interviewee's estimate [which varies slightly from the 30 builders' average], even with a conservative assessment, 24-27% of the cost could be reduced under an alternate set of rules [see last column of the table below]. This was an estimate that all the 30 builders agreed as being fairly accurate. These changes in rules include increasing the Floor Area Ratio [density index], tax exemptions and incentives like Transfer of Development Rights (TDR).

²²⁴ Along with a recurring monthly maintenance fee of Rs. 200/per month.

TABLE 6.2: THE EFFECTS ON THE COST OF AN EWS DWELLING OF CHANGING SOME OF THE RULES

Cost Components	Average Estimated Cost in Rs.	Percentage reduction of the individual components	Reduced Estimates if institutions were to change	Institutions that will need to change
Land	84350	65%	29200	Increase the FAR from 1.25 average to 3.
Construction Cost	233300	9%	212738	Tax exemptions on construction materials
Development Cost (Roads, Playground, garden) + Utilities(Electricity , Water)	41966	30%	29199	Through VAT exemption, fees waiver
Profit + Overheads	57517	20%	45885	Incentives like TDR, or Income Tax Exemption [ATIB] on AH constructions
Registration and Taxes	The EWS in CG is currently exempt from paying for Registration and Taxes.			
Total	417133	24%	317022	

If 24% of the estimated cost could be reduced, then the new estimate is Rs. 317,022. This figure could reportedly be reduced further with low cost technologies, a more streamlined approval process and town planning practices that include creating special housing zones for AH, such that those lands are not part of the regular land market.

The interview with an NGO in Raipur specializing in low cost housing and has been building low cost homes in Raipur for the past 12 years revealed that the cost of the housing can be reduced further.

“...50% of cost optimisation is because of good planning, we plan it in such a manner that the length of services is minimal...we keep the length of the brick work to a minimum. For the same space, the materials required are minimum (Interviewee-9F, 2012).”

“In today’s prices, we will need at least Rs. 125,000. It would be including sanitary, internal electrification, internal development, painting, doors, windows ...everything. Of course the profit of the contractor has to be taken into account. The cost that I mentioned to you is the actual cost and does not include profit. We work on a no profit – no loss basis and only include our overheads. But if you want to have a profit of 10 to 12% then you have to add that to this. ...say Rs. 140,000 would be the maximum (Interviewee-9F, 2012).”

To the above figure of Rs. 140,000, if the average cost of land in Raipur [Rs.82,000] is added, the total is Rs. 222,000. The NGO interviewed has been reportedly awarded a tender for building 1000 houses in Panipat [a city in another state in North India], at the cost quoted above and is due to be completed by November 2012. The above analysis allows us to infer that it is feasible to build a 300 ft² homes with five basic amenities for the EWS, within the stipulated Rs. 3 lacs.

APPENDIX 6.2: ISSUES BUT NOT CONSTRAINTS

TABLE 6.7: ISSUES BUT NOT CONSTRAINTS

S.No	Issues but not constraints	No of builders who mention the issue	Percent
1	Land Laws/Administrative Reforms needed [these include issues other than the FAR and approval process]: Change of land use to be permitted, land records and cadastral systems improved and computerized. Better qualified personnel at <i>Patwari</i> levels who can work on GIS maps.	28	93.33
2	CGHB is a market player with added benefits/should not be a market player. They distort the market.	19	63.33
3	15% land reservation for EWS housing is unfair for the builder	16	53.33
4	No separate clear policy on AH sector, so we are not sure what to expect.	10	33.33
5	Labour Issues due to schemes like NAREGA have impacted work ethics	7	23.33
6	Social issues of mixing the EWS/LIG community (See appendix 6.5)	6	20.00
7	Allotment process for EWS homes	5	16.67
8	Low income groups have a tendency to hold protests, so need for institutions that protects the builder.	5	16.67

APPENDIX 6.3: THE APPROVAL PROCESS

Only the first two steps in the approval process (Registration and Mutation) are covered by the World Bank Report (World Bank, 2009). Builders however have to get through a minimum of 6 more steps before they can start construction. These steps have been defined in the table below.

TABLE 6.8: THE APPROVAL PROCESS

SN	Process	Office	Process defined
1	Land Registration	Office of the District Registrar (or Sub-Registrar)	The office records deeds of any transaction, including transactions relating to land and real estate. The execution of the sale deed in front of the 2 witnesses is conducted the office of the Sub Registrar of Assurances within whose jurisdiction the property is located. The registration is evidence of a transaction and the document alone is not equivalent to the land title.
2	Mutation	Court of the Tahasildar/ Office of the Revenue Inspector (RI) / Patwari	This is done in terms of Section 110 of the Chhattisgarh Land Revenue Code, 1959. Section 109 requires that any person lawfully acquiring any right or interest in land shall report his acquisition of such right to the Patwari (or Tahsildar) within 6 months. If intimation is given to Patwari, he must pass it on to the Tahsildar for orders. The Court of the Tahasildar passes orders on an application by the Buyer of land for mutation (change) of title in his name in the Field Book maintained under the Chhattisgarh Land Revenue Code, 1959. Acting on the orders of the Court of Tahsildar, the Revenue Inspector instructs the Patwari to do the mutation in the Field Book. The Patwari does this and issues a fresh extract of the Field Book bearing the name of the person who has acquired the right.

3.	Demarcation	Court of the Tahasildar or Office of the Revenue Inspector (RI), and Patwari	<p>The Patwari is a field worker who does not have an 'office'. He therefore never uses letter-head as "Office of the Patwari". The Patwari is called the Halka Patwari, halka connoting geographical jurisdiction.</p> <p>Section 127 of the Chhattisgarh Land Revenue Code, 1959 (LRC) mandates that every land-holder having lands adjoining a village road, village waste or land reserved for communal purposes, demarcate his land at his own cost.</p> <p>Demarcation is done in accordance with Section 129 of the LRC. The Patwari, on orders of the RI on an application, demarcates on the site, the boundaries of a land-holding. He does this in the presence of witnesses from the village who generally are the 'elders' of the village.</p>
4	Layout approval	Office of the Assistant Director (or Director), Town and Country Planning (T&CP)	<p>The T&CP unit would have prepared and notified a Master Plan for the town. The purpose of the layout approval essentially to ensure that the proposed development is in conformity with the Master Plan in terms of (a) Land use and (b) Floor area ratio (FAR).</p>
5	Diversion	Court of the Sub Divisional Officer (Revenue)	<p>This is done in terms of Section 172 of The Chhattisgarh Land Revenue Code, 1959.</p> <p>If the land-owner desires to put his agricultural lands to some non-agricultural use, it is called diversion and requires prior permission of the SDO (Revenue). The rate of land revenue is according to the land use.</p> <p>If a land owner desires diversion of land use from, say, agricultural to</p>

			<p>housing or industrial, he must first get the land 'diverted' by the SDO (Revenue) through a revenue court process.</p> <p>The diversion rule also ensures that the land use is regulated in public interest by the Government. Even when the land is marked as residential in the master plan, it is not automatically considered so for tax purposes. Therefore diversion is a must, even if it is earmarked as residential in Master Plan. A reform for 'automatic diversion' of urban land according to land use in Master Plan is currently at the thought level in Chhattisgarh.</p>
6	Nazul NOC	Office of the Nazul Officer	<p>"Nazul land" means Government land situated within the area of a Municipality, land vested in or in possession of municipality must therefore be either (a) nazul or (b) acquired by purchase. The presumption is that the land is nazul unless it can be shown that it has been acquired by purchase.</p> <p>The Nazul Officer maintains record of Government Land in Municipal areas. An NOC from Nazul Officer is required before grant of development permission to a private entity, just to confirm that the land is not Nazul land.</p>
7	Colony Development Permission	Municipal Office (in urban areas), and Sub Divisional Magistrate (SDM) in rural areas including development area.	<p>The Municipality controls development of any land in the Municipal area.</p> <p>'Development' refers to dividing a parcel of land into plots, and creation of infrastructure thereon (roads, drains/sewers)</p> <p>Development in the context of a colony is divided into two parts (a) internal development, and (b)</p>

			<p>external development. Internal development refers to construction of roads, drains/sewers inside the colony. External development relates to these activities done outside the colony, to link it to the trunk services of the town.</p> <p>Internal development must be completed before building permission can be granted.</p> <p>In respect of external development, the developer's liability is limited to paying a certain amount according to the area of the colony to the Municipality for undertaking external development within a specific time-frame.</p>
8	Building Control	Municipal Office	<p>In terms of Section 293 of the Chhattisgarh Municipal Corporation Act, 1956, erection of a building or re-erection or extension of a building requires prior permission of the Commissioner.</p> <p>In colonies, building permission is granted only after (internal) development works are complete.</p> <p>This rule is meant for regulation of buildings in municipal areas.</p>

APPENDIX 6.4: TAXES APPLICABLE ON CONSTRUCTION INDUSTRY

TABLE 6.9: ILLUSTRATIVE LIST OF TAXES APPLICABLE ON THE CONSTRUCTION INDUSTRY

[The Central taxes are applicable throughout India; the state taxes stated are only for Chhattisgarh]

Nature of tax	Governing Authority	Rate of Tax (in %)
Income Tax	Central Government	33.99
Fringe Benefit Tax	Central Government	33.99
Custom Duty	Central Government	Up to 31.70
Excise Duty	Central Government	Up to 14.42
Service Tax²²⁵	Central Government	12.36
Sales Tax/Value Added Tax ('VAT')	State Government [Chhattisgarh]	14 ²²⁶
Central Sales Tax ('CST')	Central Government (collected & retained by State Government)	2% (if C form is issued, else prevailing local VAT rate)
Stamp duty	State Government [Chhattisgarh]	5% (+ 2.5% Municipal tax and Panchayat Surcharge)

Source: Compiled using data from – (Price Waterhouse Coopers, 2008) (PricewaterhouseCoopers LLP, 2011) (CREDAI NCR) and data collected during fieldwork

Excerpts from Reports of the Working group on Construction Sector for Planning Commission (2012-17), Government of India, 2011

The work group compared the taxation policy of this industry with other sectors such as manufacturing and found “very high incidence of direct and indirect taxes for construction and construction related activities, as compared to other sectors”. High taxation is at both the ends, the input stage (construction material, equipment and land and services) and at the process stage (work contract tax).

²²⁵ India was planning to implement unified goods and service tax (GST) in 2010 at a rate still to be determined.

²²⁶ The Chhattisgarh government has raised the value-added tax (VAT) by 1 to 1.5 per cent with effect from January 1, 2010. The items taxed at four per cent earlier will now have to pay five per cent VAT, sources said, adding that the VAT on the items that were taxed at 12.5 per cent earlier would now increase to 14 per cent. (Source: <http://www.business-standard.com/india/news/chhattisgarh-raises-vat-rates-by-1-15/381247/>)

- Excise on cement and steel, are one of the highest in the country. Average taxation rate for cement and steel works out between 45.6 to 61% and 35.40% respectively (varying between states).
- To meet stringent quality and productivity conditions, import of construction equipment becomes necessary, as domestic construction equipment manufacturing does not meet the requirements, which has heavy custom duties.
- Interstate taxes, especially on the movement of construction materials and equipment, were also found higher than in other sectors.
- Other taxes that are levied are octroi and entry tax, and stamp duty on land acquisition and registration, works contract tax including fabrication and civil construction.

Nearly 15% of the project cost of an infrastructure project goes towards indirect taxes and another 20-30% is the direct tax component on the inputs like material and equipment. This coupled with income and/corporate taxes adds significantly to the cost of the construction and hence the cost of projects.

APPENDIX 6.5: EWS/LIG ZONING REGULATIONS - COLONISER RULE

Coloniser Rule: In 1997, the GOCG introduced a new chapter on ‘Colonisation’ in Chhattisgarh Municipal Corporation Act, 1956, wherein the land reservation for EWS was introduced. In the original Act (1956) there was no specific provision for reservation of land for EWS/LIG housing.

“...the builders would buy cheap land on the outskirts and give it to the government. Those lands would always be at places where there was no infrastructure, forget hospitals and schools, there would be no roads to get there, and the builder had done his part. So a few years back, they introduced a shelter tax, that they could pay a lump-sum amount and if you pay that you won’t have to leave 15% in your projects (Interviewee-19B, 2012).”

In 1998 the Chhattisgarh Nagar Palika²²⁷ (Registration coloniser, Terms and Conditions) Rules, 1998 were framed which mandated the builders to reserve:

- 15% of the fully developed land for EWS in every residential colony in the urban area.
- 25% of the fully developed land for EWS in respect of the land on which the Urban land (ceiling and Regulation) Act, 1976 is applicable.

If the coloniser wished to offer the constructed residential houses instead of developed plots in his residential colony for EWS then he had to make available the houses of the size of 20 to 24 sq.ft constructed on an area equal to one fourth of the total area of the developed plot. However, these homes could not be sold in the open market. It would be allotted by the government at a rate fixed by the government.

Such colonisers, who opted not to develop plots or construct houses for economically weaker section in their colony having an area of 0.4 hectares or more and in case of a proposed colony having an area of less than 0.4 hectares, shall have to pay shelter fee compulsory mandatorily. The shelter fee for an urban centre with population above 5 lacs (such as Raipur) was fixed at Rs.100/sqm. This shelter fee was to be utilised for providing basic services like sewerage, drinking water, and public toilets in the slum areas.

“... if your layout is within an acre then you don’t have to reserve land for EWS. Then the colonisers started buying land from individual farmers, and got the layout passed in their [farmer’s] name each of less than 1 acre, and then clubbed it together as one colony. And these kind of colonies are the haphazardly developed colonies, because the layouts were passed individually, it is not easy to club them. There are many colonies here... Go to Mahavir Nagar, Purena. It is a total hotch-potch. The whole area was never planned as such. If the shortest distance between point A and point B is 200 metres, you would need to travel 500-600 metres before you get there. The roads in such developments are all small and narrow – 20ft roads. If they had gone in for a whole 10 acre planning there roads would need to be wider, but that never happened. Then the government realized that this won’t work... (Interviewee-19B, 2012)”

In order to discourage builders from opting for shelter fee, in 2004, some changes were introduced to the rule. The urban local body [or the government agency acquiring the land]

²²⁷ Nagar Palika = Municipal Corporation

had to pay the cost of the reserved 15% land to the coloniser equal to the sum of undeveloped land [as defined by the rules] and the Shelter fee was increased; for Raipur it amounted to Rs.200/sqm.

“That shelter tax is pretty heavy – Rs. 200/sqm, Rs. 20/ft² on the total land. It is a huge amount and he has to pay it upfront for his layouts to be approved. And in spite of that, they prefer paying the shelter tax because they know that there is no way [that] they’ll be able to sell even a single home if they club it with the EWS (Interviewee-19B, 2012).”

In 2005, another amendment was inserted: “Provided that such colonies which are to be developed by anybody under State Government for EWS will be exempted from such conditions”. The private sector was not building EWS colonies because of the existing institutional constraints and low profits, so, in effect this rule exempted the Housing Board and other government agencies from reserving such land.

The rule was still being opposed. As reported by the builders, after much lobbying by CREDAI, some concessions were allowed in 2011. The coloniser now had to allocate 15% of the land for EWS even in respect of land on which the Urban Land (Ceiling and Regulation) Act, 1976 was applicable. In addition, the coloniser had to also reserve at least 10% fully developed plots of the prescribed size or alternatively, offer constructed houses/flats of the prescribed size in his residential colony for LIG. These 10% LIG homes could be sold by the builder in the open market.

The builders, however, were still concerned about having to reserve land for EWS within the same colony that was being built for the HIG.

“I am talking from a social perspective. [I understand] Government has the obligation to house everybody. We do not want EWS housing in our compounds, but we need the facilitation [their services]. So let them have a separate compound, let them stay a furlong away and no one will have any issues, I am telling you. The idea that we should earmark spaces within each project [colony] is wrong. I understand their point but I feel it should be a little apart, otherwise you are creating a nuisance and you are creating envy. If you space it well, they will be happier and we will be happier” (Interviewee-04B, 2012).

“...we stopped getting layouts approved. Now they have realized that colonizers are reluctant [to build new colonies and get layouts approved] so they are in the process of removing the clause I think. See on paper it all looks nice, that your maids and drivers will stay nearby, they come to work from there, but it doesn’t work in our social matrix” (Interviewee-19B, 2012).

During the fieldwork, the builders informed that CREDAI-CG was in consultation with the Department of Urban Development. The builders were reportedly acceptable to the idea of letting go of the land, but were more concerned about the social acceptability of such projects when the EWS land is reserved within the colony compounds. Meanwhile it was also reported that, since the ruling, the general trend had shifted from residential colonies to building commercial complexes which resulted in an over-supply of commercial spaces. The new amendments in 2012 [still in draft stage] reflect and verify the opinion of the builders.

The 15% area could now be reserved “within a distance of not more than two kilometres from the municipal boundary provided that the land offered must be demarcated as “residential” in the Master Plan, and it must have a clear and legal approach road. The total

value of the land²²⁸ offered must match the value of fifteen percent of the land in the residential colony. Where the area of the proposed colony is one acre or more, in addition to transferring land for economically weaker sections ...the coloniser shall reserve at least ten percent of the fully developed plots or, in alternate offer, constructed houses/flats in the colony or in another location within a distance of not more than two kilometres from the boundary of the city, for persons belonging to the low income group.”

So while in economic terms the builders are still in the same position as before, socially this amendment, if passed, is to a great extent more acceptable. These amendments were confirmed by the official documents provided by Project Management Unit, JNNURM, Chhattisgarh.

²²⁸ As defined in the rule.

APPENDIX 7.1: TABLES USED IN CHAPTER 7

TABLE 7.3 DEMAND CONSTRAINTS RATING

Rating	Demand Constraint 1	Demand Constraint 2	Demand Constraint 3	Demand Constraint 4	Demand Constraint 5	Demand Constraint 6	Demand Constraint 7
0	0	0	0	1	1	2	4
1	4	8	5	5	5	4	6
2	1	1	3	5	2	1	3
3	6	3	4	5	3	5	2
4	5	3	3	2	2	5	3
5	2	2	4	0	5	1	0
Total Responses	18	17 ²²⁹	19 ²³⁰	18	18	18	18

TABLE 7.4 SUPPLY CONSTRAINTS RATING

Rating	Supply Constraint 1	Supply Constraint 2	Supply Constraint 3	Supply Constraint 4	Supply Constraint 5	Supply Constraint 6	Supply Constraint 7	Supply Constraint 8	Supply Constraint 9	Supply Constraint 10	Supply Constraint 11
0	1	0	0	0	2	0	0	2	5	3	5
1	3	4	0	7	2	1	7	2	6	5	6
2	0	4	0	2	1	4	5	2	4	3	5
3	0	7	0	6	1	4	3	4	1	2	1
4	5	3	0	1	4	4	1	4	0	5	0
5	10	0	0	2	8	5	2	4	2	0	1
Total Responses	19 ²³¹	18	0	18	18	18	18	18	18	18	18

²²⁹ I missed asking about one constraint to one facilitator.

²³⁰ The Housing Minister just discussed two of the major constraints - land and credit. The Chief Minister and the Minister for Urban Development, Dy. General Manager (DGM), Raipur did not rate any of the constraints, but discussed it.

²³¹ The Housing Minister just discussed two of the major constraints - land and credit.

TABLE 7.5 DEMAND CONSTRAINTS – WHO IS RESPONSIBLE FOR ADDRESSING THEM?

Who is responsible for addressing each constraint	Demand Constraint 1	Demand Constraint 2	Demand Constraint 3	Demand Constraint 4	Demand Constraint 5	Demand Constraint 6	Demand Constraint 7
1) GoI					2		
2) GoCG	10	10	5		7	5	12
3) Banks/RBI			4	11	3		
4) Builders	1	1		2			
5) Slum dwellers		2				11	
6) Shared responsibility	1						
7) ULBs							
8) GoI + GoCG	4	1	1			1	1
9) GoCG + Builders	2	1	1	4		1	1
10) GoCG + Slum Dwellers		1					
11) RBI/Banks + GoCG		1	1		1		1
12) GoI + RBI/Banks			6		4		
TOTAL	18	17	18	17	17	18	15
Total Respondents	18	18	19	18	18	18	18
Number of people who do not consider it a constraint and hence need not be addressed	0	1	1	1	1	0	3

TABLE 7.6 SUPPLY CONSTRAINTS – WHO IS RESPONSIBLE FOR ADDRESSING IT?

Who is responsible for addressing it	Supply Constraint 1	Supply Constraint 2	Supply Constraint 3	Supply Constraint 4	Supply Constraint 5	Supply Constraint 6	Supply Constraint 7	Supply Constraint 8	Supply Constraint 9	Supply Constraint 10	Supply Constraint 11
1) GoI	1		Most people did not address this constraint again as it was discussed earlier in demand constraints	3	1	1		1		5	
2) GoCG	12	17		6	2	14	18	4	7		13
3) Banks/RBI										7	
4) Builders	2				12			7	8	2	1
5) Slum dwellers											
6) It is everybody's job. One person cannot do it.											
7) ULBs	1										
8) GoI + GoCG	2			9	3	3		3		1	
9) GoCG + Builders	1							1	1		
10) GoCG + Slum Dwellers											
11) RBI/Banks + GoCG											
12) GoI + RBI/Banks										2	
GoCG + Shared responsibility		1									
TOTAL	19	18		18	18	18	18	16	16	17	14
Total Respondents	19	18		18	18	18	18	18	18	18	18
Number of people who do not consider it a constraint and hence need not be addressed	0	0		0	0	0	0	2	2	1	4

APPENDIX 7.2: FACILITATORS Q & A

For some questions, the interviewees reported multiple answers in which case their answers were ticked for multiple points for the same questions, so the total number of responses in some cases is more than 19. Similarly, some interviewees refused to comment on a question, or in a couple of cases I was asked to rush so I had to skip some questions; or as in one interview I simply missed a question in which case I do not have an answer from them for that particular question and the total responses might be less than 19.

TABLE 7.7 – FACILITATORS’ QUESTIONNAIRE

Role that your department plays in delivering low income housing	
1) Build subsidised housing	9
2) We are an implementing agency, we build homes as per target	2
3) We have no role to play	1
4) We work on the reforms agenda	2
5) Allotment of land	1
6) Design and develop the Housing Policy	1
7) Finance Housing Loan	3
8) Procurement of land reserved by private builders for AH	1
9) Ensure that 25% of land is reserved for EWS/LIG while approving their layouts, also in charge of Urban Planning	1
10) We are an NGO working on low cost construction techniques	1
Do you think the government on its own will ever be able to provide housing for all	
1) Yes	2
2) No	17
Private sector participation is indispensable	
1) Yes	17
2) No	2
If yes, how do you envision that happening?	
1) No clear idea/ dodged the question/it is a shared responsibility	3

2) Corporate social responsibility	4
3) Providing incentives and creating a market	13
4) Incremental Housing/ Cross-Subsidization	5
What other sources of support do you think the government can bank on?	
1) No clear idea/ dodged the question	0
2) "Government is not that poor"; they can increase the outlay	3
Do you think this is something that is possible: EWS/LIG population being able to buy decent houses in formal market built by private builders in the same way that the MIG and HIG populations do?	
1) Yes	14
2) No	0
3) Maybe	5
If yes, what do you think is stopping such a market from coming together?	
1) Ignorance of the extent of demand and buying power of EWS/LIG	1
2) Land and Credit	16
3) Infrastructure	3
4) Approval process	1
5) Government Subsidies	2
6) Private Builders' greed and their unwillingness to compromise on the profit	2
If no, why not? Could you kindly enlist some of the issues that you foresee	
1) Dependency syndrome because of government subsidies	4
2) They like staying in the slums on free encroached lands/ change is scary, they feel they are ok wherever they are	3
3) Private builders are only interested in serving the rich	4
Are there any other points/constraints you would like to add?	
1) You need to consider the behavioural/attitudinal changes required for this to happen	3
2) The alternate construction techniques/incremental housing needs to be considered	5

3) No, I think we have considered most all points	10
4) Getting utilizable plots instead of 15% land here and 10% land there	2
In your opinion, is there any scope to increase the role that your department plays in delivery of low income housing?	
1) Well, there is always room for improvement	9
2) We are doing all that we can	9
3) Definite direction on how to increase the scope	1
If these constraints are addressed, do you think a formal low-income housing market could come into being?	
1) Yes	18
2) No	1
If no, why not? (There were also 3 "Yes, but...")	
1) Because it requires attitudinal/behaviour change and that is harder to come by	4

APPENDIX 7.3: FACILITATORS' VIEWS ON HOW TO ADDRESS THE CONSTRAINTS

TABLE 7.8 – FACILITATORS' VIEWS ON HOW TO ADDRESS DEMAND CONSTRAINT 1

Non availability of low cost houses	No of people who share the opinion
1) Zoning/Land pooling/Infrastructure development/re-densification	6
2) Develop appropriate low cost technology	1
3) Going for a joint venture/ PPP model	3
4) By making the idea of affordable housing market bankable	4
5) If everybody (the existing departments) does their job, it will happen.	1
6) Increase the planned outlay	1
7) By making it a priority; we need political will	1
7) By making it a priority; we need political will + 4) we need to make it bankable	1

TABLE 7.9 – FACILITATORS' VIEWS ON HOW TO ADDRESS DEMAND CONSTRAINT 2

House-hunting is a very time consuming process	No of people who share the opinion
1) Services Guarantee Act/ Setting time limits/ Changing Banks rules	3
2) Setting up camps near the slums/having offices open in the evening/Single window clearance	10
3) If you need a house you need to go house hunting. Everybody has to. If you really want to do it you can always find time.	2
1) Services Guarantee Act/ Setting time limits/ Changing Banks rules + 2) Setting up camps/having offices open in the evening/Single window clearance	1
2) Setting up camps/having offices open in the evening/Single window clearance + by creating more homes	1

TABLE 7.10 – FACILITATORS’ VIEWS ON HOW TO ADDRESS DEMAND CONSTRAINT 3

No loans/installments (payment options) available.	No of people who share the opinion
1) Change banks processes/Provide clear policy guidelines	16
2) Political Will needed	1
3) Provide them with identity proofs	1
4) Increase Rental Stock	1

TABLE 7.11 – FACILITATORS’ VIEWS ON HOW TO ADDRESS DEMAND CONSTRAINT 4

Trust issues: We often get duped, or hear of others who were subject to fraud. We cannot afford such a big risk. We need some sort of guarantee.	No of people who share the opinion
1) Trust will build over a period of time as and when the private builders start building and selling these homes	2
2) Channelize private sector homes through government/Joint ventures/set up government accreditation process for private builders	10
3) Land reforms needed	2
1) Trust will build over a period of time as and when the private builders start building and selling these homes + 2) Channelize private sector homes through government /Joint ventures/set up government accreditation process for private builders	3

TABLE 7.12 – FACILITATORS’ VIEWS ON HOW TO ADDRESS DEMAND CONSTRAINT 5

The bank ask for a third party Guarantor in case we plan on buying registry land	No of people who share the opinion
1) They ask for it, but they don't insist - It is only a matter of law and public needs to be educated	1
2) They need to get the rules amended	8
3) A government agency could be the guarantor	7
1) They ask for it, but they don't insist - It is only a matter of law and public needs to be educated + 2) They need to get the rules amended	1
2) They need to get the rules amended or 3) A government agency	1

could be the guarantor	
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TABLE 7.13– FACILITATORS’ VIEWS ON HOW TO ADDRESS DEMAND CONSTRAINT 6

We now live in (have encroached) a large area, but often the flats are too small for our families.	No of people who share the opinion
1) The slum dweller needs to be more realistic about what he can afford.	12
2) The minimum living space can be increased to 400-450 ft ² and planned in a better manner with judicious use of space.	3
3) Increase rental stock	1
1) The slum dweller needs to be more realistic about what he can afford + 2) The minimum living space can be increased to 400-450 ft ² and planned in a better manner with judicious use of space.	2

TABLE 7.14 – FACILITATORS’ VIEWS ON HOW TO ADDRESS DEMAND CONSTRAINT 7

Even when we can afford the land/home, the registration process is expensive. Not just the actual costs, we also have to pay everyone along the way.	No of people who share the opinion
1) For less than 2400 ft ² area, you do not need to get all the permissions you can get it done by an empanelled architect. Most people don't know about it, it requires publicity.	2
2) No, the slum dweller will never be able to go through all the processes on his own; the solution is to increase the supply of homes and then he need to be assisted through the process of getting a flat.	8
3) The actual officer in charge can do a lot by being compassionate and getting it done in time.	2
4) If there are rules for the working of a system, it has to be followed. These steps are absolutely needed.	4
5) By making a master search file for the banks/ by making it online/by increasing the staff	2

TABLE 7.15 – FACILITATORS’ VIEWS ON HOW TO ADDRESS SUPPLY CONSTRAINT 1

Availability of low cost Land	No of people who share the opinion

1) Land Pooling [converting horizontal slums into vertical dwellings]	7
2) Better transportation facilities to the outskirts/develop suburbs	5
3) Build in the 25% that the builders now reserve for EWS/LIG	2
4) Increasing the residential area in master plan.	3
1) Land Pooling [converting horizontal slums into vertical dwellings] + 2) Better transportation facilities to the outskirts/develop suburbs	1
2) Better transportation facilities to the outskirts/develop suburbs + 4) Increasing the residential area in master plan.	1

TABLE 7.16 – FACILITATORS’ VIEWS ON HOW TO ADDRESS SUPPLY CONSTRAINT 2

Tedious Approval Process	No of people who share the opinion
1) Simplify and streamline the process, but with caution/Set time limits on each process and make it online	16
2) If there are rules for the working of a system, it has to be followed. These steps are absolutely needed.	1
3) Simplify and streamline the process, but with caution/Set time limits on each process and make it online + Merge Housing and Environment with Urban Development, so that there is a synergistic effort	1

TABLE 7.17 – FACILITATORS’ VIEWS ON HOW TO ADDRESS SUPPLY CONSTRAINT 3

High Taxation/ High approval fees [Visible+Invisible]	No of people who share the opinion
1) They may exempt it for EWS/LIG segment or have a differential taxation	18

TABLE 7.18 – FACILITATORS’ VIEWS ON HOW TO ADDRESS SUPPLY CONSTRAINT 4

No Check on Escalation of Construction Cost	No of people who share the opinion
1) Maybe they can reduce/control the tax component on material to be used for EWS	6

2) There is no solution, they have to live with it.	11
3) Using new technologies so that the delay is minimized, which will reduce the uncertainty	1

TABLE 7.19 – FACILITATORS’ VIEWS ON HOW TO ADDRESS SUPPLY CONSTRAINT 5

No Infrastructure Development/Transport & Connectivity	No of people who share the opinion
1) Needs political will; they have the funds and the law	4
2) Issue of lack of funds, but government should organize	14

TABLE 7.20 – FACILITATORS’ VIEWS ON HOW TO ADDRESS SUPPLY CONSTRAINT 6

Low FAR	No of people who share the opinion
1) It is a matter of changing the law	18

TABLE 7.21 – FACILITATORS’ VIEWS ON HOW TO ADDRESS SUPPLY CONSTRAINT 7

Labour Issues due to schemes like M-NREGA and food subsidies	No of people who share the opinion
1) Go for mechanized ways	8
2) Outsource the M-NAREGA labour to private construction sites.	3
3) The builders need to pay higher wages	3
4) I don't know	3
5) Educating them, giving them a dream and ambition	1

TABLE 7.22 – FACILITATORS’ VIEWS ON HOW TO ADDRESS SUPPLY CONSTRAINT 8

CGHB as a privileged market player upsets level playing ground	No of people who share the opinion
1) The private builders can be given the same amenities, basically there needs to be a separate policy for building EWS/LIG housing for anyone	8

who is building it.	
2) There is plenty of demand inspite of what CGHB is building	9

TABLE 7.23 – FACILITATORS’ VIEWS ON HOW TO ADDRESS SUPPLY CONSTRAINT 9

Bank finance for builders @ high interest rates	No of people who share the opinion
1) The interest can be lowered on a case to case basis if and when the builders construct EWS/LIG housing	14
2) They should resist speculative trading and then they will have enough to build the homes	2

TABLE 7.24 – FACILITATORS’ VIEWS ON HOW TO ADDRESS SUPPLY CONSTRAINT 10

Allotment process for EWS homes	No of people who share the opinion
1) For now there needs to be a check, but this is a self-resolving issue once the stock is abundant.	14
2) They need not build EWS homes, they can build LIG homes.	1
3) They can create an agency that does this job full time	3

APPENDIX 7.4: LIST OF FACILITATORS INTERVIEWED

TABLE 7.25: LIST OF FACILITATORS INTERVIEWED

Group A – Housing and Environment Ministry

Sl. No	Department Designation
1	Principal Secretary, Housing and Environment
2	Minister, Housing and Environment
3	Commissioner, Chhattisgarh Housing Board
4	Chairman, Chhattisgarh Housing Board [Political Appointee, Minister level]
5	Additional Commissioner, Chhattisgarh Housing Board
6	Town Planner, Joint Director Town and Country Planning

Group B – Ministry for Urban Development and Department of Revenue

Sl. No	Department Designation
7	Minister, URBAN DEVELOPMENT
8	Commissioner URBAN DEVELOPMENT
9	Commissioner RAIPUR MUNICIPAL COUNCIL, Was asked to interview, Additional Commissioner, as the official response from RAIPUR MUNICIPAL COUNCIL
10	Collector, Raipur
11	Ex-Mayor and President, Raipur Development Authority [Political Appointee]
12	CEO, Raipur Development Authority. Was asked to interview Superintendent Engineer as the official response from RDA

Group C – Banks and other Financial Institutions

Sl. No	Department Designation
13	HDFC Bank, State Head
14	Dy. General Manager (DGM), Raipur State Bank of India(SBI)

15	Chief Manager, State Level Bankers Committee Cell, SBI
16	Housing and Urban Development Corporation [HUDCO] Regional Chief
17	Focused Group Discussion with DGM, AGM & Regional Manager (Region 1) and Chief Manager, State Level Bankers Committee Cell

Group D – Others

Sl. No	Department Designation
18	Chief Minister
19	President Nirman Vikas Anusandhan Sansthan (NIVAS) Low Cost Housing Research Institute
20	Team Lead, Project Management Unit (PMU), Jawahar Lal Nehru Urban Renewal Mission [JNNURM]
21	Advisor, State Finance Commission, Former Chief Secretary
22	Vice Chairman, State Planning Commission

APPENDIX 8.1: INSTITUTIONAL CONSTRAINTS AS LISTED IN OTHER REPORTS/DOCUMENTS

INSTITUTIONAL CONSTRAINTS AS LISTED IN OTHER REPORTS/DOCUMENTS

There are several institutional constraints to demand and supply of AH in Raipur²³² (discussed in detail in chapter 8), which are put forward also in industry and government reports on affordable housing in India. These constraints may be termed as ‘problems’, ‘issues’ or ‘challenges’, and in some reports that are solution oriented, they are described as ‘incentives for AH’: but nonetheless they support the fieldwork findings in this study²³³.

TABLE 8.1 INSTITUTIONAL CONSTRAINTS AS LISTED IN OTHER REPORTS/DOCUMENTS:

S.No	Title	Published by	Year	Constraints Identified
1	Housing: The Game Changer – Leading to double digit GDP growth	Cushman and Wakefield Research Publication	January 2014	Tedious and prolonged regulatory processes, Land, Banking and Funding problems, Manpower and Technology problems
2	Housing Microfinance in India: Benchmarking the status	Access-Assist Research Publication	December 2013	Credit and Housing Finance
3	State of Low-income Housing Market: Encouraging Progress and Opportunity to Realise Dreams of Millions	Monitor-Deloitte Consulting	July 2013	Credit, Land, lengthy approval process, Rising construction costs, project delays due to labour issues, insufficient transparency on maintenance charges later.
4	Task Force Report on Promoting Affordable Housing	Ministry of Housing and Urban Poverty Alleviation, GoI	November 2012	High taxation, lengthy approval process, land, credit, funding for builders.

²³² The findings are reported in Chapters 5 and 6 on demand and supply constraints respectively. The facilitators' perspective on these constraints is reported in Chapter 7.

²³³ Land and Credit are the two most widely discussed constraints, which have been discussed not just in industry and government reports but also in prominent academic literature and are not limited to Indian context. These are discussed in detail in the literature review.

5	Affordable Housing in India: An Inclusive Approach to Sheltering the Bottom of the Pyramid	Jones Lang LaSalle	October 2012	Identification documents for slum dwellers, Credit and flexible mortgages, Land, density measures, dispute redressal mechanisms.
6	Affordable Housing in India: Needs and Emerging Solutions	Escale Responsible	December 2010	Land, Credit, lack of profit under current circumstances
7	Making affordable housing work in India	RICS and UK Department of Trade and Investment	November 2010	Inconsistent and fragmented government support, Land, Infrastructure, need for increasing the density measures
8	Micro-mortgages: A macro opportunity in low income housing finance	Monitor Inclusive Markets	October 2010	Credit and Housing Finance
9	Building Home, Financing Homes: India's rapidly growing housing and housing finance markets for the low-income customer		July 2010	
10	Special Residential Zones: A viable and compelling solution to India's affordable housing crisis	CREDAI	August 2009	Land, lengthy approval process, high taxation, lack of infrastructure
11	Market Based Experiences in Low income housing in India	Monitor Group	May 2009	Construction Finance for builders

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